ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Aggressive Branch Expansion versus ATM and POS machine use

(The case of Awash International Bank S.C in Addis Ababa)

A Project Paper

Submitted In Partial Fulfillment of the Requirements for the Degree of Executive Master of Business Administration

By

Berhanu Balcha

Project Advisor

Mohammed Seid (PHD)

May 2015

DECLARATION

I, **Berhanu Balcha Wordofa**, declare that the study entitled "**Aggressive Branch Expansion versus ATM and POS machine use** ***(The case of Awash International Bank S.C in Addis Ababa)***" is the result of my own effort in research undertaking. The study has not been submitted to any Degree or Diploma in any college or university. It is submitted in the partial fulfillment of the requirement of the Degree of Executive Masters of Business Administration.

STATEMENT OF CERTIFICATE

This is to certify that **Berhanu Balcha Wordofa** has carried out his research work on the topic, **"Aggressive Branch Expansion versus ATM and POS machine use *(The case of Awash International Bank S.C in Addis Ababa)*"** for the partial fulfillment of Executive Master of Business Administration(EMBA) at Addis Ababa University-College of Business and Economics. This study is an original work and not submitted earlier for any degree either at this University or any other University and is suitable for submission of Executive Master of Business Administration (EMBA).

_____

Advisor: Mohammed Seid, PhD

Project Advisor

Department of Management

BOARD OF EXAMINERS APPROVAL SHEET

ADDIS ABABA UNIVERITY- COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Aggressive Branch Expansion versus ATM and POS machines use *(The case of Awash International Bank S.C in Addis Ababa)*

By

Berhanu Balcha

Approved by Board of Examiners:

_____	_____
Advisor	Signature
_____	_____
Internal Examiner	Signature
_____	_____
External Examiner	Signature

Acknowledgements

First of all I thank the almighty God who has helped and blessed me with his grace.

I thank my advisor Dr. Mohammed Seid for his unreserved comment, advice and support from start to end. I thank also my entire family specially my spouse, W/o Bekelech Chaka who has helped me in one or other way in accomplishing this paper.

My special thanks go to Ato Mulugeta Kefyalew for his advice and encouragement. I thank also all people who have helped me in giving relevant data used as input for the paper, who filled questionnaires dedicating their precious time. I thank also my friends who have helped me by encouraging and opening discussion on the subject.

Table of Contents

Contents

LIST OF TABLES

LIST OF GRAPH

LIST OF ABBREVIATIONS

AIB	Awash International Bank S.C.
ATM	Automatic Teller Machines
Br	Birr
NBE	National Bank of Ethiopia
POS	Point of Sale Machines
PSS	Premier Switch solution, a company established as a common switch for AIB, Nib International Bank, United Bank, Oromiya Internal Bank and Berhan International Bank
SPSS	Statistical Package for Social Sciences
USD	United States of America Dollar

ABSTRACT

In this project, the aggressive branch expansion of Awash International Bank S.C in Addis Ababa vis-à-vis modern banking technologies of ATM/POS was studied to investigate if the aggressive branch expansion of AIB is advantageous. The cause of the aggressive branch expansion is identified to be the introduction of NBE bills which eroded the fund to be used for customer lending.

The study used descriptive research design to gather qualitative and quantitative data. Both primary and secondary data were used for the data analysis and for the study findings. The primary data were collected through questionnaires from customers and employee of the bank. The secondary data are collected from published and unpublished documents of AIB and NBE. Questionnaires were distributed to each class of branches to collect data from the bank's customers. One branch was selected from each class of branch using lottery method to collect data from the bank's customer. Questionnaires were distributed to all department managers and above department positions as well as to relevant division and branch managers.

The research found that aggressive branch expansion is not advantageous for AIB. Moderate branch expansion along ATM/POS expansion is better for AIB from profit perspective.

The study will help the bank to reconsider its aggressive branch expansion. It will also help the bank to correct problems identified in the ATM/POS usage. The study will also help as an input for further study.

Chapter One

Introduction

1.1 Background of the study

The fall of the Dergue regime in Ethiopia has brought an end to state owned monopolies of many businesses. A number of private businesses including private commercial banks were setup by shareholders for profit. Although the history of private commercial banks is not so long, the banks have managed to provide efficient banking services and forced the state owned banks to change the way they used to do business.

Almost all of the private commercial banks are making profit since they were established. One of the main sources for their income is lending funds to various business sectors for a higher interest rate than the deposit interest rate. The source of fund for the loan is deposits collected from the public and business institutions. Most of their deposits are mobilized through the outreach of their branches. All of the commercial banks in the country are now working vigorously to mobilize deposits. The aggressive deposit mobilization effort of the private banks came after the introduction of obligatory purchase of National Bank of Ethiopia (NBE) bills.

Before the introduction of the bill purchase, there was credit ceiling set for each bank which had created a lot of idle funds at the banks. The idle funds were cost to the banks. As a result of this, mobilizing deposits was not encouraged. The sudden change in government policy lifted the credit ceiling and introduced NBE bills purchase, which is eroding their fund that could have been lent to the public. The shortage of fund for lending pushed the banks to resort various deposit mobilization effort.

One of the strategies the banks took to tackle the problem of deposit shortage is to open new branches at various locations. For instance the major four private banks, Awash International Bank S.C. (AIB), Dashen Bank, Nib International Bank and United bank had a total number of about 231 branches when the bill was introduced in April 2011 after working for an average of 13 years. Three years after the introduction of the bond, the total branches of these four banks has reached about 487 as at June 2014 (NBE, 2013).

Another change many of the banks are making is the introduction of automatic teller machines (ATM). The ATM service was used to be delivered by one private bank only before the introduction of the bond. Now almost all banks, be it in consortium or individually, are having ATM machines. This effort is not exceptional to Awash International Bank S.C (AIB). Currently AIB has above 100 ATMs in operation.

The internal report of AIB shows Awash International Bank S.C. is the first private bank after the fall of the Dergue regime which was established by 487 shareholders in 1994. Currently the number of the shareholders is over 2400. The bank was operating with 70 branches when the government bond was introduced. Currently it is operating with 192 branches. In addition, the bank planned to introduce about 150 ATM machines and about 400 Point of Sale (POS) machines in the 2014/15 budget year.

The aggressive branch expansion of AIB while adding modern banking technologies needs study to check the move is advantageous to the bank. Internal documents of the bank indicate that most of the newly opened branches are loss making even though they are partly contributing to the success of the whole system. As opposed to the operational loss of many of the new branches, AIB is moving aggressively towards branch expansions. It is also introducing modern banking technologies like ATM and POS machines. The main purpose of introducing modern technology is to increase customer satisfaction and thereby to attract deposits. However while having more than 100 cash dispensing ATM machines, yet the bank has not introduced deposit receiving ATMs.

This paper proposes ATM machines could replace aggressive branch opening. These modern technologies are not only to be seen from cost saving point of view, but also from the following angles as well:

- Create cashless society-which in turn increases the banks' deposit by attracting all monies in the individuals' pocket to flow to banks.
- Help to introduce new value added banking services from which the bank gets service charges.
- The working hours of the branch can be limited to normal working hours but the customers being served twenty four hours a day.
- If the banking industry is opened for foreign investors, the bank can be somewhat ready in the technological competition.
- The market outreach to each prospective customer through technologies will increase its customer base and satisfaction
- If purchase and sale transactions are done through ATM and POS machines cost of printing cash notes shall reduce as a national interest.

On the other hand, delivering banking service in a branch by bankers also has its own advantage. Opening new accounts easily, serving uneducated customers, availing credit facilities are some of the advantages of branch opening over service delivered through ATM and Point Of Sale.

1.2 Statement of the Problem

Awash International Bank is operating at profit throughout its history. However, the introduction of the NBE bills to finance the federal government mega projects has threatened its fund position to be lent at higher interest rate. The bank has purchased above 4.06 billion birr NBE bill as at June 30, 2014 commensurate to 27% of fresh disbursed loans. The maturity of each bond is after five years. This amount is 27.03% of its June 2014 deposit. It is 44% of its total loans and advances while it is almost two fold of its capital. The erosion of its fund in the form of bill, the bill generates only 3% return,

pushed the bank to aggressively open new branches. Its total number of branches has reached 192 as of mid May 2015. The branch numbers are expected to increase to 200 at the end of June, 2015. The banks unpublished data show opening a branch costs the bank around 2,000,000 birr. In addition, on average most newly opened branches remain at loss for about three years. While aggressively opening new branches, the bank is also introducing ATM and POS machines. All of these efforts are to mobilize deposit. However, none of the ATMs are deposit accepting machines. The advantage of aggressive branch opening in Addis Ababa where ATM machines are introduced, where relatively educated population are concentrated and where the telecom infrastructure is relatively better needs to be studied.

Ever since ATMs were first introduced in 1971, they have been touted as a potentially lower-cost alternative to the traditional branch banking office. The presumption of cost savings from expanded ATM use has in the past focused on scale economies. Substantial scale economies were indeed estimated for ATMs (Walker, 1978).
ATMs provide many of the most demand deposit services. These services include cash withdrawals, cash or check deposits, transfers among deposit accounts, and bill payments (Humphrey, 1994).

The expansion of bank branches do have a number of implications as regards to human as well as physical resources, specifically man power requirement, fixed assets, training of personnel and other similar resource requirements. These in turn create a pressure on the profitability of the bank in general as new branches take time to transform themselves into profit making stage.

Indicators that initiated me to undertake the research include:

- Erosion of funds as a result of NBE bills purchasing
- Aggressive opening of new branches operating at a loss for three years
- Non availability of research done in the area

Thus, the study attempted to examine whether aggressive branch expansion or use of modern technology is more advisable in deposit mobilization efforts of the bank.

1.3 Research Questions

- What are the merits and demerits of opening a new branch?
- Can ATM and POS machines replace aggressive branch opening?
- What is the cost of putting/fixing ATM machines?
- What is the operational cost of ATM and opening a branch?
- Do customers prefer to be served by ATM/POS machines or by a bank teller?

1.4 Objective of the Study

General Objective

The main objective of the study is to examine as to whether aggressive branch expansion of AIB S.C. is advisable as well as to evaluate the contribution/role of opening aggressive branches to the overall profit maximization objective of the bank.

The specific objectives of the study are:-

- To examine the merits and demerits of opening new branches
- To explore whether ATM/POS machines can replace aggressive opening of branch or not
- To measure the cost of opening branches with ATM machines
- To identify the preference of customers to ATM/POS machines with bank tellers

1.5 Significance of the study

All the private banks are generating profit to their shareholders. Awash International Bank is also operating profitably since its establishment. The banking industry is protected from foreign banks by government policy. The revision of minimum capital for the establishment of new bank to Br.500,000,000 from Br. 75,000,000 has frustrated the banks that were on establishment. Therefore, the existing banks are enjoying the monopoly benefit of the industry. The profit margin of the banks between the minimum deposit rate and lending higher rate is wide which makes them profitable. Any inefficiency in their operation could be covered by the exorbitant profit.

If the banking sector is opened for foreign banks/investors, the competition will be tough, challenging the existence of the banks. This will not be exceptional to AIB. The unwise operations the bank is undertaking could be the aggressive branch expansion. Therefore, the paper tried to indicate if it is possible to mobilize the needed deposits without aggressive branch expansion using modern banking technologies specially ATM and POS machines.

The paper may also be used as input for further study in identifying customer preference with regard to ATM/POS and conventional branches. It may also help to evaluate the impact of modern technology in replacing aggressive branch expansion.

1.6 Scope of the study

The aggressive branch opening, while at the same time investing in ATM and POS machines, is almost similar behavior of the private banks with the exception of Zemen Bank. However, for easy accessibility of data (as the researcher works in AIB) the scope of the study is limited to Awash International Bank S.C. The findings could be

generalized and used for similar banks with little adjustments. Since the branch expansion is more aggressive in Addis Ababa and the relatively educated people and better telecommunication infrastructure exists in the capital city, the study is limited to the branch expansion effort of AIB in Addis Ababa.

1.7 LIMITATION OF THE STUDY

Most of the time, unpublished documents of banks are treated as confidential. Hence it was challenging to get the unpublished documents, annual and strategy plan documents. It was also difficult to gather sufficient information for the study due to limited prior research works regarding branch expansion versus modern banking technologies with the Ethiopian context. All these have been the limiting factors of the study.

Chapter Two

Literature Review

2.1 Introduction

The commercial banks in Ethiopia are expanding their branches aggressively. The aggressive branch expansion is continuing in the capital city where relatively educated society exists and where better telecommunication network is available. The aggressive branch expansion might be questionable since deposit and withdrawal as well as foreign exchange (foreign currency exchange to Birr) money transfer demand of customers can be served by Automatic Teller machine (ATM) and Point of sale machines (POS) twenty four hours in a day and seven days a week. Literatures on the subject are reviewed to see other countries experience and the trend of foreign banks on branch expansion against modern banking technologies specially ATM and POS machines**.** The use of ATM/POS and their advantage is also reviewed in this chapter.

2.2 History of Banking

The history of banking begins with the first prototype banks of merchants of the ancient world, which made grain loans to farmers and traders who carried goods between cities. This began around 2000 BC in Assyria and Babylonia. Later, in ancient Greece and during the Roman Empire, lenders based in temples made loans and added two important innovations: they accepted deposits and changed money. Archaeology from this period in ancient China and India also shows evidence of money lending activity Wikimania ,(2015). Banking, in the modern sense of the word, can be traced to medieval and early Renaissance Italy, to the rich cities in the north such as Florence, Venice and Genoa. The Bardi and Peruzzi families dominated banking in 14th century Florence, establishing branches in many other parts of Europe (Banking through the Ages, New York, Dodd, Mead & Company). The oldest bank still in existence is Monte dei Paschi di Siena,

headquartered in Siena, Italy, which has been operating continuously since 1472 (Monte, 2014).

The development of banking spread from northern Italy throughout the Holy Roman Empire, and in the 15th and 16th century to northern Europe. This was followed by a number of important innovations that took place in Amsterdam during the Dutch Republic in the 17th century and in London in the 18th century. During the 20th century, developments in telecommunications and computing caused major changes to banks' operations and let banks dramatically increase in size and geographic spread. The financial crisis of 2007–2008 caused many bank failures, including some of the world's largest banks, and provoked much debate about bank regulation (Wikimania, 2015).

2.3 History of Banking in Ethiopia

Ethiopian banking history, in its modern sense, began towards the end of the reign of Emperor Menilek. This period witnessed the establishment, as most readers will know, of the country's first bank. Called the Bank of Abyssinia, or in Amharic "Ye-Ityopya Bank", it was an affiliate of the National Bank of Egypt, and was founded in 1905 (Pankhurst, 2012.).

National Bank of Egypt having been entrusted of the project, the new institution was chartered in Cairo and its shares were subscribed in a number of countries besides Ethiopia The Bank of Abyssinia was given a 50-years concession and was engaged in issuing notes, collecting deposits and granting loans, but its clients were mostly foreign businessmen and wealthy Ethiopians. A few years later, disappointed by the behavior of this bank, mainly devoted to profit-making rather than promoting economic development, the Emperor supported the establishment of a wholly Ethiopian bank, the Société Nationale d'Ethiopie pour le Dévéloppement de l'Agriculture et du Commerce. Haile Sellassie, after acceding to the throne in 1930, could not accept that the country's issuing bank was foreign-owned and, in agreement with National Bank of Egypt, decided

liquidation of the Bank of Abyssinia. A new bank, the Bank of Ethiopia, under Government control, was established in 1931 and retained management, staff, premises and clients of the old bank. Italian occupation in 1936 brought the liquidation of the Bank (Arnaldo, 2003).

According to Tekle-Birhan (2007), Bank of Abyssinia issued Ethiopia's first bank notes in denominations of 5, 10, 50, and 100 during 1914-15. They were fully backed by gold and silver. As might be expected, they were printed in London. All government and public funds were deposited with the bank and payments were made by checks. Thus the financial service of deposit mobilization and the payments instrument of checks were introduced.

The Italian invasion of 1935 put a different complexion on the evolution of banking in Ethiopia. The operations of Bank of Ethiopia were replaced by subsidiaries of the Italian parent banks of Banco d' Italia, Banco di Roma Banco, di napoli and Banco Nazionale del Lavaro. After the end of the fascist occupation, it was the turn of a British-based bank, Barclays Bank, to set up shop on Ethiopian soil in 1941; but it was shortly afterwards (1943) replaced by the state Bank of Ethiopia. The state bank of Ethiopia continued the dual role of a central and a commercial bank it had inherited from its predecessors (Tekle-Birhan, 2007).

The year 1963 was yet another landmark in the annals of the history of banking in Ethiopia. A formal Monetary and Banking law was proclaimed for the first time, separating the functions of central and commercial banking. Hence the National Bank of Ethiopia and the Commercial Bank of Ethiopia were separately created as a central bank and a commercial bank, respectively (Tekle-Birhan, 2007).

Following the demise of the Dergue regime in 1991 that ruled the country for 17 years under the rule of command economy, the EPRDF declared a liberal economy system. In line with this, Monetary and Banking proclamation of 1994 established the national bank of Ethiopia as a judicial entity, separated from the government and outlined its main

function. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector. Consequently shortly after the proclamation the first private bank, Awash International Bank was established in 1994 by 486 shareholders and by 1998 the authorized capital of the Bank reached Birr 50.0 million. Dashen Bank was established on September 20, 1995 as a share company with an authorized and subscribed capital of Birr 50.0 million. 131 shareholders with subscribed and authorized capital of 25.0 million and 50 million founded bank of Abyssinia. Wegagen Bank with an authorized capital of Birr 60.0 million started operation in 1997. The fifth private bank, United Bank was established on 10th September 1998 by 335 shareholders .Nib International Bank that started operation on May 26, 1999 with an authorized capital of Birr 150.0 million. Cooperative Bank of Oromia was established on October 29,2004 with an authorized capital of Birr 22.0 million. Lion International Bank with an authorized capital of Birr 108 million started operation in October 02, 2006. Zemen Bank started operation on June 17, 2008 with an authorized capital of Birr 87.0 million. Oromia International Bank started operation on September 18, 2008 with an authorized capital of Birr 91 million (NBE, 2012).

2.4 Branch Banking

According to Directive No SBB/22/96, licensing and supervision of banking business of National Bank of Ethiopia; the term "Branch" shall include any branch office, branch agency, additional office, or any place of business at which deposits are received or cheques are paid out or money is lent and other banking business is solicited.

Aparijita (2010) discusses that rapid growth and wide popularity of branch banking system in the 21st century are due to various advantages as stated below.

A. Merits of Branch Banking

Economies of Large Scale Operations Under the branch banking system, the bank with a number of branches possesses huge financial resources and enjoys the benefits of large-scale operations,

a) Highly trained and experienced staff is appointed which increases the efficiency of management,
b) Division of labor is introduced in the banking operations which ensure greater economy in the working of the bank. Right persons are appointed at the right place and specialization increases,
c) Funds are made available liberally and at cheaper rates,
d) Foreign exchange business is done economically,
e) Large financial resources and wider geographical coverage increases public confidence in the banking system.

2. **Spreading of Risk** Another advantage of the branch banking system is the lesser risk and greater capacity to meet risks,
   a) Since there is geographical spreading and diversification of risks, the possibility of the failure of the of the bank is remote,
   b) The losses incurred by some branches may be offset by the profits earned by other branches,
   c) Large resources of branch banks increase their ability to face any crisis.
3. **Economy in Cash Reserves** Under the branch banking system, a particular branch can operate without keeping large amounts of idle reserves. In time of the need, resources can be transferred from one branch to another.
4. **Diversification on Deposits and Assets** There is greater diversification of both deposits and assets under branch banking system because of wider geographical coverage,
   a) Deposits are received from the areas where savings are in plenty,
   b) Loans are extended in those areas where funds are scarce and interest rates are high. The choice of securities and investments is larger in this system which increases the. Safety and liquidity of funds.

5. **Cheap Remittance Facilities** Since bank branches are spread over the whole country, it is easier and cheaper to transfer funds from one place to another. Inter-branch indebtedness is more easily adjusted than inter-bank indebtedness.
6. **Uniform Interest Rates** Under branch banking system, mobility of capital increases, which in turn, brings about equality in interest rates. Funds are transferred from areas with excessive demand for money to areas with deficit demand for money. As a result, the uniform rate of interest prevails in the whole area; it is prevented from rising in the excessive demand area and from falling in the deficit demand area.
7. **Proper Use of Capital** There is proper use of capital under the branch banking system. If a branch has excess reserves, but no opportunities for investment, it can transfer the resources to other branches which can make most profitable use of these resources.
8. **Better Facilities to Customers** The customers get better and greater facilities under the branch banking system. It is because of the small number of customers per branch and the increased efficiency achieved through large scale operations.
9. **Banking Facilities in Backward Areas** Under the branch banking system, the banking facilities are not restricted to big cities. They can be extended to small towns and rural as well as underdeveloped areas, thus, this system helps in the development of backward regions of the country.
10. **Effective Control** Under the branch banking system, the Central bank can have a more efficient control over the banks because it has to deal only with few big banks and not with each individual branch. This ensures better implementation of monetary policy.

The merits of the branch banking would support the aggressive branch expansion. Actually the author did not write the book to compare branch banking with modern banking technologies. However some of the advantages are possible to be covered by banking technologies like ATM. It is possible to enjoy economies of scale by erecting many ATM machines that could accept cash and cheque deposits and machines that can dispense cash. The machines are also can be used to facilitate remittances at cheaper cost than branch

banking. The machines can be made available at locations where they can give better customer facility.

The branch banking is also advantageous in many aspects over ATM and POS machines. Banking with branch in backward area and serving semiliterate customer is advantageous over ATM and POS. Branches also can be used as contact place to give new loans and advances. It is also necessary to have branch banks to delivery services like international trade.

B. Demerits of branch banking

On the other hand, branch banking systems have the following limitations as stated by (Diffen 2012):

1. **Problem of Management** Under the branch banking system a number of difficulties arise as management, supervision and control:
    a) Since the management of the bank gets concentrated at the head office, the managers can afford to be lax and indulgent in their duties and are often involved in serious irregularities while using the funds.
    b) Since the branch manager has to seek permission from the head office on each and every matter, this results in unnecessary delay and red tapes in the banking business.
2. **Lack of Initiative** Branch managers generally lack initiative on all-important matters; they cannot take independent decisions and have to wait for the clearance signal from the head office.
3. **Monopolistic Tendencies** Branch banking encourages monopolistic tendencies in the banking system. A few big banks dominate and control the whole banking system of the country through their branches. This can lead to the concentration of resources into a few hands.
4. **Regional Imbalances** Under branch banking system, the financial resources collected in the smaller and backward regions are transferred to the bigger industrial centers. This encourages regional imbalances in the country.

5. **Adverse Linkage Effect** Under branch banking system, the losses and weaknesses of some branches also have their effect on other branches of the bank.
6. **Inefficient Branches** In this system, the weak and unprofitable branches continue to operate under the protection cover of the large and more profitable branches
7. **Other Defects:** Other defects of branch banking system include, preferential treatment is given to the branches near the head office, higher interest rates are charged in the developed area to compensate for the lower rates charged in the backward areas and there is concentration and unhealthy competition among the branches of different banks in big cities.

2.5 What is ATM?

ATM (Automatic Teller Machine) is a device which offers a range of services to users that are authorized by using a PIN-code. From a cash ATM, user is able to make payments, withdraw money or view account information (Myllynen, 2009).

Automated teller machines have reduced costs per transactions to almost one-fourth as compared to the branches. ATMs support a variety of transactions such as cash withdrawal, cash deposits, cherub deposits, placement of service requests, including the request for a new cheque book. New technology has facilitated the installation of in-wall ATMs, which are weather-proof and can be established in shopping malls or busy commercial localities and have further reduced the transactions and operations costs for banks (Sambamurthy and Ashvin, 2010).

An automated teller machine or automatic teller machine (ATM), also known as an automated banking machine (ABM) is a computerized telecommunications device that provides the clients of a financial institution with access to financial transactions in a public space without the need for a cashier, human clerk or bank teller. On most modern ATMs, the customer is identified by inserting a plastic ATM card with a magnetic stripe or a plastic smart card with a chip, that contains a unique card number and some security information (Humphrey, 2004).

Already, at least one credit union has added ATMs that do video conferencing in the place of tellers in certain branches, which means it is possible to speak to a person via video on the ATM rather than in person (Humphrey, 2004).

2.6 History of ATM

The idea of self-service in retail banking developed through independent and simultaneous efforts in Japan, Sweden, the United Kingdom and the United States. In the USA, Luther George Simjian has been credited with developing and building the first cash dispenser machine (Inventor of the week 2012).

There is strong evidence to suggest that Simjian worked on this device before 1959 while his 132nd patent (US3079603) was first filed on 30 June 1960 (and granted 26 February 1963). The rollout of this machine, called Bankograph, was delayed a couple of years. This was due in part to Simjian's Reflectone Electronics Inc. being acquired by Universal Match Corporation. An experimental Bankograph was installed in New York City in 1961 by the City Bank of New York, but removed after 6 months due to the lack of customer acceptance. The Bankograph was an automated envelope deposit machine (accepting coins, cash and cheques) and it did not have cash dispensing features (Wikimania, 2015).

A first cash dispensing device was used in Tokyo in 1966. Although little is known of this first device, it seems to have been activated with a credit card rather than accessing current account balances. It was followed in 1967 by a machine in upassla. In simultaneous and independent efforts, engineers in Sweden and Britain developed their own cash machines during the early 1960s. The first of these that was put into use was by Barclays Bank in Enfield Town in North London, United Kingdom, on 27 June 1967. This machine was the first in the UK and was used by English comedy actor Reg Varney, at the time so as to ensure maximum publicity for the machines that were to become main stream in the UK. This instance of the invention has been credited to John Shepherd-Barron of printing firm De La Rue, who was awarded an OBE in the 2005

New Year_Honors. His design used special cheques that were matched with a personal identification number, as plastic bank cards had not yet been introduced (Wikimania, 2015).

2.7 What Do ATMs Do?

ATMs provide many of the most demanded deposit services. ATM services include cash withdrawals, cash or check deposits, transfers among deposit accounts, and bill payments (Humphrey, 2006).

The ATMs can—and could more often in the future—dispense physical goods to consumers. Already, some ATMs dispense stamps, lottery tickets and gift cards etc. (Wikimania, 2015).

Many banks employ tellers who handle basic transactions, and senior level associates who help customers open accounts and handle more complex transactions. Tellers can cash checks, make deposits and withdrawals, provide account balance information and issue money orders. ATMs serve many of the same functions, accepting checks and cash for deposit, displaying account information and, most popularly, issuing cash ((Dennis, 2014).

2.8 Point of sale machines

The term "point of sale" covers a variety of services rendered through machines located at retail establishments. POS terminals are generally clerk-operated devices located at the checkout or convenience counter of retail establishments. Electronic cash register versions of these terminals have been in operation for several years, maintaining store records on sales, inventories, accounts receivable, and the like. Now, POS devices have been linked to financial institution computers, allowing retail customers to receive approval for check cashing and electronically initiate transfers from their accounts to the retailer's, the latter being POS full funds transfer. In some installations, customers can make deposits to their accounts. POS devices accept either a plastic credit card or a plastic debit card, depending on whether the customer wants to delay payment by charging the purchase or wants the purchase deducted directly from his/her account. As

electronic POS systems proliferate, their use will probably replace many of the paper transactions accomplished through cash payments and check and credit transactions (Deiterich, 2014).

2.9 Trends in Branch banking with the development of ATM

Traditionally, the branch was the only channel of access to a financial institution's services. Services provided by a branch include cash withdrawals and deposits from a demand account with a bank teller, financial advice through a specialist, safe deposit box rentals, bureau de change, insurance sales (where it is allowed by law), etc. In the early 21st century, features such as automated teller machines (ATM), telephone and online banking, allow customers to bank from remote locations and after business hours. This has caused financial institutions to reduce their branch business hours and to merge smaller branches into larger ones. Conversely, they converted some into mini-branches with only ATMs for cash withdrawal and depositing; computer terminals for online banking and cheque depositing machines. Some mini-branches may have one or no human staff with only telephone support (Wikimania, 2010).

Bank branches without human tellers are operating, and some institutions are shrinking their networks of full-service branches. Some of these automated branches provide only telephone communication for the customer in need of assistance. Others are manned by a customer representative who is available to answer questions and market services, but who performs none of the teller functions, such as accepting deposits or paying withdrawals (Deiterich, 2014).

The large success of ATM deployment has created another trend in bank branching. Instead of building large, full-service branches that are personnel-intensive and very costly, many organizations are replacing these structures with satellite branches, which are small scale, highly automated, full-service, and generally require management by only two or three personnel. ATMs, for the most part, replace the teller; personnel are there to handle general information or other personal business (Deiterich, 2014).

Branch banking has some major consequences. With a single investment in a computer installation, a new entrant to the retail banking market has the whole national market open to it. As long as it has the necessary computing capacity to handle the accounts of its customers, any bank will be able to leap over geographic barriers and offer payment services nationwide. By the same token, nonbank operators will be able to compete with banks in these services to the extent that they are legally permitted to do so (Effects of Information Technology on Financial Services Systems September 1984). Hence in our country context banks like Zemen Bank will get advantage having one branch only.

Banks are adding ATM functions such as on-line loan applications, distribution of mini-statements, dispensing of foreign currency, purchase of traveler's checks, and check cashing to attract customers. They also encourage customers to use ATM's by making other types of transactions more expensive; for example, a Chicago bank charges for transactions involving a human teller if that transaction could have been conducted at an ATM. Some banks offer discounts on services such as checking account fees to customers who agree to use ATM's. All of these incentives are intended to lead customers away from transactions with a human teller (Morisi, 1996).

Banks have been moving steadily in developing their offerings electronically**,** with a long-term vision of reducing branches and services by developing self-service centers. Reducing branches and staff would lower overheads, allowing the banks to become lower-cost providers and enabling them to become more profitable and competitive (Deiterich, 2014).

2.10 Pros and cons of Branch and ATM

i. Customer Service

Bank customers who prefer using a human teller often cite the superior customer service. While ATMs remove some of the opportunity for human error, they can be difficult to use, especially for customers not familiar with computer interfaces. Bank tellers can

answer questions and offer advice on possible solutions to a customer's banking needs. One benefit of ATMs is that the machines often function in several languages, giving non-English speaking customers an easier way to complete a transaction (Dennis, 2014).

ii. Cost

Another important difference between ATMs and bank tellers is the cost. Providing wages and benefits to tellers costs much more to a bank than installing an ATM, which may cost more initially but then functions 24 hours a day. Because of the added convenience, many banks install ATMs in each branch, while still employing a number of tellers to give customers an option. By handling the majority of small transactions, ATMs save banks a significant amount of money and also help attract new customers who find the ATMs convenience appealing (Dennis, 2014).

Banks in Spain have apparently saved 37% in unit (or average) operating cost between 1992 and 2000 due to use of technology which translates into 4.5 billion Euros for the banking system as a whole. As larger institutions have progressed further in shifting from branch offices to ATMs for dispensing cash and also process higher volumes of lower cost electronic payments, these institutions have benefited the most from the reduction in unit operating expenses (Humphrey, 2004)

While the mix of these delivery and payment methods often differ markedly among countries, all have consistently expanded the supply of ATMs relative to branches and have increased the share of non-cash transactions which are electronic. For the services they deliver, ATMs are considerably cheaper than branches and an electronic payment only costs about one-third to one-half as much as a paper-based transaction. Thus it is not surprising to find that the shift to ATMs and electronic payments appears to be associated with significant reductions in operating cost as a percent of bank asset value during the 1990s. The rapid expansion of ATMs in Europe indicates that, for the range of services provided (cash withdrawal, account transfer, balance inquiry), ATMs have

replaced the traditional banking office for a large and growing segment of depositors (Humphrey, 2004).

Revenues from ATM are generated directly when a foreign ATM is used. The expanded convenience of ATMs may enable a bank to retain a more profitable customer base than would otherwise be possible. This may raise revenues from non-deposit services and/or permit a bank to pay a lower deposit interest rate or assess a higher monthly minimum balance on deposit accounts. All of these influences, if they are significant, could lead to higher bank profits (Humphrey, 2004).

When we see ATM from our country perspective, the reduction of employment opportunity by replacing tellers, difficulty to be used by most of our illiterate and semi literate society and the interruption of telecommunication network could hinder ATM and POS machines expansion.

On the other hand, while the banks are not networked and while they are not giving service to the other bank customers, it has been possible to be served by other banks' ATM and POS machines-at least in the case of Awash Int. Bank, Nib Int. Bank, United Bank Oromiya International Bank, Addis International Bank and Birhan International Bank.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter discusses the research design and methodology used in carrying out the study. It elaborates the research design, the population and the sample size of the study, the source of the data, the method used to collect and analyze the data and the method used to present the data.

3.2 Research Design

The study used descriptive and cross section research design in order to gather quantitative data whether to go for aggressive branch expansion or to strengthen more the alternative solution like ATM and POS. According to Sekaran (2003), a descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation.

3.3 Sources of Data and Data collection method

The data used for the study are both primary and secondary data. The primary data are collected from the bank's customers and employees. The secondary data are collected from published and unpublished monthly and annual reports of AIB. Five point Likert scales and open-ended questionnaires were used to gather the data from the customers and managers of the bank.

3.4 Population

According to Sekaran (2003), Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. The population used to collect and analyze the secondary data is branches in Addis Ababa. The bank's overall data like NBE bills, loans, deposits, number of branches are also used where necessary. The population of the study is all customers and managements in Addis Ababa.

3.5 Sample size and Sampling Technique

The reasons for using a sample, rather than collecting data from the entire population, are self-evident. In research investigations involving several hundreds and even thousands of elements, it would be practically impossible to collect data from, or test, or examine every element. Even if it was possible, it would be prohibitive in terms of time, cost, and other human resources. Study of a sample rather than the entire population is also sometimes likely to produce more reliable results. This is mostly because fatigue is reduced and fewer errors will therefore result in collecting data, especially when a large number of elements are involved (Sekkaran, 2003).

The collection of the primary data, from employees of the bank, was from relevant division managers, from all above division level managers and from sampled ten branch managers.

Awash International bank had 88 branches in Addis Ababa as at June 30, 2014. The branches have five grades based on the deposit mobilized, loan and advances granted and on their profitability. The grades of the branch are Special grade branch (highest grade), Class 1 branch (2^{nd} highest), Class 2 branch (3^{rd} highest), Class 3 branch (4^{th} highest) and Class 4^{th} branch (last or new branch). To make the data collected from customers of the bank representative, one branch from each classes of branch was selected using simple random method except for special branch, since there is only one special branch in the bank. Thirty questionnaires were distributed to each randomly selected branch customers. The data collectors were told to distribute the questionnaire to any customer at the counter of the branches on convenience basis.

3.6 Validity and Reliability

To test the validity and reliability of the questionnaires, 30 questionnaires were distributed to respondents. Accordingly little corrections were made on the content of the questionnaires.

3.7 Ethical Issues

The information collected from the respondents through questionnaires in the actual survey is treated with strict confidentiality. To keep anonymity of the questionnaire respondents, they were not asked to write their name. The secondary data used in the research are taken, from published and unpublished sources, at their face value.

3.8 Data Analysis and Presentation

After data have been collected from a representative sample of the population, the next step is to analyze them to test the research hypotheses. Data analysis is now routinely done with software programs such as SPSS, SAS, STATPAK, SYSTAT, Excel, and the like (Sekarran, 2003).

Accordingly the primary data gathered through questionnaires distributed were analyzed using Statistical Package for Social Sciences (SPSS).

Graph and tables are used to present the data collected from primary and secondary source.

Chapter Four

Analysis and Discussion of Results

4.1 Introduction

This chapter presents and discusses the findings of the research. The study analyzes the impact of the compulsory NBE bills for aggressive branch expansion on AIB, and thereby performance of new branches opened aggressively after NBE bills was introduced, the possibility of replacing this aggressive branch expansion in Addis Ababa by modern banking technologies like ATM and POS machines. The customers' response towards using ATM and POS machines is also analyzed comparing with the conventional brick and mortar branches.

The research findings and analysis are both from secondary and primary data sources.

4.2 Analysis and discussion on Primary Data

The primary data are collected through questionnaires distributed to sample employees (managers) and customers of the bank.

4.2.1 Analysis and Discussion on Data Collected from Customers

One hundred fifty questionnaires were prepared and distributed to five branches, one branch from each class of branches and 116 questionnaires (77.33%) were responded. Two responded questionnaires were found faulty and excluded from analysis. Hence the analysis is based on the remaining 114 questionnaires.

4.2.1.1 Gender Frequency

The gender distribution of the collected data shows 76.3% (87) of the respondents are male while 23.7 % (27) are female. The bank should work hard to attract more female customers as the Addis Ababa population census indicate 51.56% are female residents (CSA 1994 census). The mechanism to attract female customers could be by giving premium interest rate, bonus for their account etc.

Table 1 Gender of Respondents

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	87	76.3	76.3	76.3
	Female	27	23.7	23.7	100.0
	Total	114	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.1.2 Age of the respondents

As can be seen on Table 2, 65.8% of the sampled customers fall in the age range of 18-30. This may indicate most of the bank's customers are of young age.

As susannh Fox put it banking technology uses decline with age increase. This shows opportunity for the bank to work more on modern banking technologies since the majority of its customers are young who would like to use them. The cumulative percent also shows 96.5% of the bank's customers' age is 50 and below 50 years of age.

Table 2 Age Frequency

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	75	65.8	65.8	65.8
	31-40	23	20.2	20.2	86.0
	41-50	12	10.5	10.5	96.5
	above 50	4	3.5	3.5	100.0
	Total	114	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.1.3 Martial Status

The marital status of the respondents reveals 54.4% (62) are not married, 28.1% (32) married, 14%(16) divorced and 3.5%(4) are widowed as tabulated on Table 3.

Table 3 Marital Status

Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	32	28.1	28.1	28.1
	Unmarried	62	54.4	54.4	82.5
	Divorced	16	14.0	14.0	96.5
	Widowed	4	3.5	3.5	100.0
	Total	114	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.1.4 Educational Status

The respondents' educational status shows 49.1% are degree holder while the cumulative frequency on Table 4 shows 60.9% have first degree and above. This has a positive impact to expand and appeal modern technologies like ATM and POS as well as other banking technologies to this educated society. Only 4.5% of the sampled customers are below grade 10 educational level.

Table 4 Educational Status of respondents

Educational Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Grade 4 and below	2	1.8	1.8	1.8
	5-10 grade	3	2.6	2.7	4.5
	11-12 Grade	17	14.9	15.5	20.0
	Diploma	21	18.4	19.1	39.1
	First Degree	56	49.1	50.9	90.0
	Second degree and above	11	9.6	10.0	100.0
	Total	110	96.5	100.0	
Missing	System	4	3.5		
Total		114	100.0		

Source: Survey SPSS result (2015)

4.2.1.5 Cross tabulation of Education with Work status

Four responses (3.5%) are missing from educational work status response which is presented on Table 5. Hence the tabulation is based on 110 responses.

*Table 5 Educational Status * Work status Cross tabulation*

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Educational Status * Work status	110	96.5%	4	3.5%	114	100.0%

Source: Survey SPSS result (2015)

The educational-work cross-tabulation on Table 6 indicates the highest frequency (31) is dominated by respondents having first degree and employed. Since the highest number of respondents is employed, the bank can make business by approaching their employers to pay salary of these employees by letting them use ATM cards. About 20 of the respondents are students for whom the bank can design various services like local transfer through ATM etc.

Table 6 **Educational Status * Work status Cross tabulation**

		Work status			Total
		Student	Employed	private work	
Educational Status	Grade 4 and below	0	1	1	2
	5-10 grade	1	1	1	3
	11-12 Grade	0	4	13	17
	Diploma	0	16	5	21
	First Degree	19	31	6	56
	Second degree and above	0	0	11	11
Total		20	53	37	110

Source: Survey SPSS result (2015)

4.2.1.6 Monthly Income

As can be seen on Table 7 four responses are missing. Only 18.2% of the 110 respondents earn below Br. 1400 monthly income. Conversely, 81.8% of the respondents earn above Br. 1400 monthly income which is above USD 800 per year (Br.1400x12months divided by 21exchange rate). This indicates that the majority of the bank's customers get above the country's per capita income of USD 470 (WWW.World Bank.org).

Table 7 Monthly Incomes

Monthly Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below Br.1400	20	17.5	18.2	18.2
	Br. 1401-3550	26	22.8	23.6	41.8
	Br.3551-5000	27	23.7	24.5	66.4
	Above B	37	32.5	33.6	100.0
	Total	110	96.5	100.0	
Missing	System	4	3.5		
Total		114	100.0		

Source: Survey SPSS result (2015)

4.2.1.7 Having account in AIB or not

The respondents were requested if they have account with AIB. Accordingly 90.4% (103) of the respondents have account with AIB, while 9.6% of the respondents do not have account with AIB as Table 8 shows summary of the responses. These respondents could be money transfer users or coming to cash checks etc. These types of customers can be turned to account holders if the bank strives instead of merely serving them as a walking customer.

Table 8 Respondents having bank account in AIB or not

Account in AIB

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	103	90.4	90.4	90.4
	No I do not have	11	9.6	9.6	100.0
	Total	114	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.1.8 Having AIB ATM card or not

The customer respondents were asked whether they use ATM cards or not. It was found that 69.3 % (79) of the 114 respondents use ATM cards. But 30.7% (35) of the respondents do not use ATM cards as shown on Table 9. Since 11 of the respondents do not have account with AIB, the numbers of respondents who do not have ATM cards while they have account are 24.

Table 9 Having AIB ATM card or not

ATM Card

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes I use	79	69.3	69.3	69.3
	No I do not use	35	30.7	30.7	100.0
	Total	114	100.0	100.0	

Source: Survey SPSS result (2015)

Additional question was asked for those respondents who do not use ATM cards to know why they do not use ATM cards. Even though 24 of the account holders do not use ATM, only four responded the reason for not using ATM cards. Table 10 presents the reason for not using ATM cards. One of them responded he knows the use/advantage of ATM but do not have it for reason not known to himself. The other one responded because he has other bank ATM card. The other two responded they have registered but

not received the ATM card yet. In this regard the bank should reduce the time gap between registration and card delivery period as this could create dissatisfaction.

Table 10 Customer Reason for not having AIB ATM card

Do not use ATM Card

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Another reason(Having other bank Card, registered but not yet received and unknown reason	4	3.5	100.0	100.0
Missing	System	110	96.5		
Total		114	100.0		

Source: Survey SPSS result (2015)

The remaining questions on the questionnaire were dedicated to ATM card holders only. Therefore, the analysis and discussion is based on the remaining 79 responses. Three respondents who do not have ATM cards have filled some of the remaining questions unknowingly. Hence their responses are discarded as their responses will not be relevant to the study.

4.2.1.9 Is Using ATM/POS machines advantageous?

It was asked whether using ATM/POS machines is advantageous or not. As tabulated on Table 11, 79.7% (63) from the respondents who use ATM/POS replied they strongly agree on the advantage of ATM/POS use. 16(20.3%) of card holders responded as agreed. None of the card holders responded as disagree, strongly disagree or neutral.

Table 11 Responses on the advantage of ATM/POS

Advantage in using ATM/POS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	63	79.7	79.7	79.7
	Agree	16	20.3	20.3	100.0
	Total	79	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.1.10. The maximum withdrawal amount allowed by ATM in one day

The maximum amount allowed by ATM machines, currently Br. 10,000 at AIB (Premier Switch Solution), was asked if the amount was enough. As summarized on Table 12, the cumulative frequency shows 48.1% (38) of AIB card holders either strongly or moderately agree on the maximum withdrawal amount of Br. 10,000 allowed in a day. Ten (12.7%) respondents of card holders do not know the maximum withdrawal amount allowed in one day. In this regard the bank should aware all customers on the maximum withdrawal amount allowed from ATM machines because customers should decide whether to withdraw from ATM or from bank tellers and whether to withdraw from bank tellers in advance before the closing of bank hours or the needed amount is available on ATM etc. Twenty four card holders (30.4%) disagree and seven (8.9%) strongly disagree on the maximum withdrawal amount allowed in a day.

Table 12 Responses on Amount allowed for withdrawing from ATM in a day

Amount allowed to withdraw from ATM in a day

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	7	8.9	8.9	8.9
	Agree	31	39.2	39.2	48.1
	I do not Know	10	12.7	12.7	60.8
	Disagree	24	30.4	30.4	91.1
	Strongly disagree	7	8.9	8.9	100.0
	Total	79	100.0	100.0	

Source: Survey SPSS result (2015)

For those respondents who do not agree on the maximum withdrawal amount allowed in a day were requested to suggest maximum withdrawal amounts in a day. Even though 31 disagree on the maximum withdrawal amount allowed in a day, 37 respondents suggested amounts. The result on Table 13 reveals the majority of those who disagree on the cash withdrawal maximum limit, fourteen in number, suggested an amount from Br.15,001-20,000 as opposed to the existing Br. 10,000. Twelve respondents suggested from Br. 10,001-15,000, six respondents suggested from Br. 25001-35,000 and five respondents suggested from Br. 20,001-25,000. Additional to the presented choices one respondent replied there should not be limit. Therefore the bank should study and try to revise the maximum withdrawal amount allowed in a day at least to accommodate the majority of the disagreed respondents' amount need. The majority of the respondents preferred withdrawal limit between Br. 15,001-15,000 instead of the existing Br.10,000 limits.

Table 13 Customers' Suggestion on cash withdrawal amount limit on ATM machines per day

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Br.10,001-15,000	12	15.2	32.4	32.4
	Br.15,001-20,000	14	17.7	37.8	70.3
	Br.20001-25000	5	6.3	13.5	83.8
	Br.25001-35000	6	7.6	16.2	100.0
	Total	37	46.8	100.0	
Missing	System	42	53.2		
Total		79	100.0		

Source: Survey SPSS result (2015)

4.2.1.11 Problems faced by customers on ATM use

The ATM card holders were asked whether they faced problem or not in using ATM machines. Accordingly, 92.4%(73) of the 79 respondents responded they face problem and only 7.6% or six of the respondents said they did not face problem. The summary of their response is shown on Table 14.

Table 14 Problems faced by customer on ATM use

Is there problem with ATM use?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes there is problem	73	92.4	92.4	92.4
	No problem	6	7.6	7.6	100.0
	Total	79	100.0	100.0	

Source: Survey SPSS result (2015)

For those who responded there is problem in using ATM machines, additional question was raised to know the problem allowing them to select more than one choice or to give additional reason. The result summarized on Table 15 shows system failure was chosen by 56 respondents and five responded system deducts balance without dispensing cash. Two card holders responded the machine hangs ATM card while another two responded the system is not convenient for use. Respondents were given the opportunity to raise additional problems, if any. Problems like ATM machines not available in many places, delay in refunding wrongly deducted balance from account and no cash in ATM machine were raised as problems. Since these types of problems will discourage card holders to use ATM/POS machines and defame the bank's name, the problems should be minimized if avoiding is not possible.

Table 15 List of problems faced by customers

	Problems faced by customers	**Frequency**
1	System failure	56
2	The system is not convenient for use	2
3	Machine hangs ATM cards	2
4	Deducts account balance without dispensing cash	5
5	Other reason(machine not available everywhere, delay in refund, No cash in ATM)	4
6	Total	69

Source: Survey SPSS result (2015)

4.2.1.12 Convenience of ATM machines against the conventional tellers service

The feeling of card holders towards simplicity of ATM service against the conventional bank tellers' service was gauged. As shown on Table 16, 92.4% (73) card holders responded they agree with the simplicity of ATM services than with the conventional teller service. These huge number of respondents favored ATM machines even though, as shown on Table 15 above, most of them reported problems. However 7.6 % (6) disagree with the simplicity of ATM machines than bank tellers. From this it might be possible to indicate if the ATM related problems are improved, the share of the agreed response could approach to 100%.

Table 16 Response on Withdrawal from ATM is simple than from human teller

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	58	73.4	73.4	73.4
	Agree	15	19.0	19.0	92.4
	Disagree	3	3.8	3.8	96.2
	Strongly disagree	3	3.8	3.8	100.0
	Total	79	100.0	100.0	

Source: Survey SPSS result (2015)

For respondents who did not agree with the simplicity of ATM services compared with human tellers, additional question was raised to know the reason of disagreeing. The response given was the system is not dependable.

4.2.1.13. The feeling of having ATM card as having cash on hand

The ATM card holders were asked whether they feel as if carrying cash because of having ATM card. The majority of the card holders, depicted on Table17, (65.8%) agree even if they do not have money in their pocket, they feel as if they have cash because

they can withdraw any time. However, 34.2% of the card holders do not feel as if they have cash in pocket because of carrying ATM card only. For the disagreed card holders a further question was raised as to why they do not feel as if having cash. System failure, ATM machine failure, the machine retains the card, unavailability of ATM machine everywhere, all banks are not inter-networked and the machine has maximum amount limitation in cash withdrawal etc do not give them comfort without carrying cash note.

Table 17 Feeling of customer as if having cash when having ATM card

I feel as if I have cash when having ATM card

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	29	36.7	36.7	36.7
	Agree	23	29.1	29.1	65.8
	Disagree	14	17.7	17.7	83.5
	Strongly disagree	13	16.5	16.5	100.0
	Total	79	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.1.14. Type of transactions preferred by ATM

The ATM card holders were asked which type of transactions they prefer to use by ATM machines and which one by human tellers giving them the opportunity to select more than one choice. In reply to this, 58(73.4%) of the card holders prefer Cash withdrawal by ATM machines. Only four respondents prefer cash withdrawal from human teller as shown on Table 18. With regard to deposit transactions, most respondents have not given their choice. Out of the 13 respondents eight of them prefer deposit through ATM machines while five desire their cash deposit transaction to be handled by human teller.

The respondents were asked their reason why they opted one than the other method. Some said there is queue when served by teller, it avoids carrying passbook, ATM is not limited by working hours etc.

Table 18 Type of transactions preferred on ATM

preference to deposit and withdraw cash

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cash withdrawal by ATM	58	73.4	77.3	77.3
	Cash withdrawal from teller	4	5.1	5.3	82.7
	Cash deposit by ATM	8	10.1	10.7	93.3
	Cash deposit through teller	5	6.3	6.7	100.0
	Total	75	94.9	100.0	
Missing	System	4	5.1		
Total		79	100.0		

Source: Survey SPSS result (2015)

4.2.1.15 POS machine usage

The sampled customers were asked if they have paid their bills through POS machines. As tabulated on Table 19, 73 (92.4%) of the respondents have never used POS machines to settle their bill, about 7.6% (6) however responded as they have used POS machines for payment.

Table 19 usage of POS machine

Did you use POS machine for payment?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes I have used	6	7.6	7.6	7.6
	No I did not use	73	92.4	92.4	100.0
	Total	79	100.0	100.0	

Source Survey result

For respondents who have never used POS machines to pay their bills, additional question was raised to know their reasons. Table 20 shows 19 (24.1%) of the respondents replied as they do not know about POS machines, 28 (35.4%) said the POS machines are not available in many places and 13(16.5%) responded the machine do not work. Nineteen respondents gave other reasons like “the bank has not started POS machines”, “POS machines are not dependable” etc. This indicates that the possibility of making

payments by POS machines is not known by customers. In this regard the bank should advertise the service. Indicating, the availability of POS machines with the concerned merchant site through banners, sign boards etc, is also another means to encourage customers use it. Since POS machines are being introduced newly, its uninterrupted service and maintenance when it is faulty is necessary to appeal its advantage both to the merchant and the card holder.

Table 20 Reasons for not using POS machines

Reason for did not use POS machines

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I do not know about POS machines	19	24.1	24.1	24.1
	POS machines are not available in many places	28	35.4	35.4	59.5
	Because the machine does not work	13	16.5	16.5	75.9
	Other reasons	19	24.1	24.1	100.0
	Total	79	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.1.16 General opinion towards ATM/POS machines

General opinion of the respondents towards these relatively new banking technologies was collected. The result as shown on Table 21 shows, 36 (45.6%) strongly agree, 23 (29.31%) agree moderately. The cumulative percentage of those who strongly agree and moderately agree is 74.7% but 16 (20.3%) of the respondents disagree on the advantage of ATM/POS machines over the conventional banking. They mentioned withdrawals through teller shows them the transaction of the account on their pass book, they can get the updated book balance on their pass book etc. The Pro ATM and POS machines reasoned out convenience to withdraw any time and without queue, possibility of not carrying much cash, no need of carrying pass book etc are raised as reasons.

Table 21 General opinion towards ATM/POS machines

ATM/POS are better than service by tellers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	36	45.6	45.6	45.6
	Agree	23	29.1	29.1	74.7
	I do not Know	4	5.1	5.1	79.7
	Disagree	10	12.7	12.7	92.4
	Strongly disagree	6	7.6	7.6	100.0
	Total	79	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.1.17 Response time for problems encountered with regard to ATM/POS

The sampled customers were asked if they get immediate reply from the bank for problems encountered with regard to their ATM/POS transactions. Those who are satisfied with the response time are 52.6% (40) as shown in the cumulative percent column of Table 22. Four of the card holders replied as "I do not know", who might have not encountered problem. But 42.1% of the respondents are dissatisfied with the response time for problems encountered on ATM/POS machines. Since the number of these group is large, the bank should resort ways to respond to problems timely which are identified as like system failure, deduction of account without dispensing cash, the refund of which takes a month etc.

Table 22 Response time for problems encountered with ATM/POS transactions

Response time for problems encountered with ATM/POS is short

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	8	10.1	10.5	10.5
	Agree	32	40.5	42.1	52.6
	I do not Know	4	5.1	5.3	57.9
	Disagree	25	31.6	32.9	90.8
	Strongly disagree	7	8.9	9.2	100.0
	Total	76	96.2	100.0	
Missing	System	3	3.8		
Total		79	100.0		

Source: Survey SPSS result (2015)

4.2.2 Analysis and Discussion on Data Collected from management of AIB

Thirty questionnaires were prepared and distributed for managers of Awash International Bank S.C. The questionnaires were distributed to all department managers and above department manager levels, to concerned division managers and sampled branch managers. Twenty five (83.33%) questionnaires were responded. No responded questionnaire was found to be totally faulty.

4.2.2.1 Position of respondents

The majority of the respondents, 80% are from head office as shown in the next table while 20% are branch managers.

Table 23 Position of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	president/ vice president	2	8.0	8.0	8.0
	Director	5	20.0	20.0	28.0
	Department Manager	4	16.0	16.0	44.0
	Division Manager	9	36.0	36.0	80.0
	Branch Manager	5	20.0	20.0	100.0
	Total	25	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.2.2 The main reason for expansion of branches

The management respondents were asked to express the reason why AIB opted for aggressive branch expansion. Accordingly, their response summarized on Table 24 shows 12(48%) said deposit mobilization is the reason for branch expansion and the remaining respondents have responded like for deposit mobilization and to avail credit 4%, to mobilize deposit and to get foreign currencies 8%, to mobilize deposit and to be leader in branch number 36% and to get foreign currency and to be leader in branch number 4%. This shows 96% responded the main reason is for deposit mobilization.

Table 24 Main reason for branch expansion

Branch expansion reason

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To mobilize deposit	12	48.0	48.0	48.0
	To mobilize deposit and To avail credit	1	4.0	4.0	52.0
	To mobilize deposit and to get Foreign currencies	2	8.0	8.0	60.0
	To mobilize deposit and to be leader in branch number	9	36.0	36.0	96.0
	To get foreign currency and to be leader in branch number	1	4.0	4.0	100.0
	Total	25	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.2.3 Is branch expansion more effective for AIB to attract customers in Addis Ababa than ATM/POS expansion?

Respondents were asked whether they feel branch expansion is more effective for AIB to attract customers in Addis Ababa than ATM/POS expansion. Their response summarized on Table 25 shows 80% (20) of the respondents agreed on branch expansion is more advantageous. One respondent is neutral and only four respondents (16%) disagree on branch expansion.

Table 25 Response on the advantage of branch expansion than ATM/POS to attract customer

Branch expansion is advantageous than ATM/POS to attract customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	3	12.0	12.0	12.0
	Agree	17	68.0	68.0	80.0
	Neutral	1	4.0	4.0	84.0
	Disagree	3	12.0	12.0	96.0
	Strongly disagree	1	4.0	4.0	100.0
	Total	25	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.2.4 Advantage of Branch expansion to save cost (to increase of profit) than ATM/POS

As opposed to responses given above on 4.2.2.3, 16 (64%) of the 25 of management respondents disagree on advantage of branch expansion than ATM/POS expansion when it comes to saving cost (increasing profit). Two respondents (8%) still agree branch expansion is advantageous for AIB to save cost (increase profit) than ATM/POS and 24% (6) respondents are neutral as indicated on Table 26. One response is missing on this specific question.

The majority of the respondents as shown under 4.2.2.3, support branch expansion is advantageous for AIB to attract deposit than ATM/POS machines while they support

ATM/POS expansion to save cost/increase profit than branch expansion. The bottom line/ultimate goal of deposit mobilization, despite other goals like market share etc.., is to increase profit. Hence the aggressive branch expansion versus ATM/POS should be considered from profit angle.

The respondents were asked to give their opinion why they agreed/ disagreed on the advantage of branch expansion in decreasing cost (increase profit) than ATM/POS. Two respondents in favor of branch expansion than ATM/POS expansion replied "the machines are not operating properly and customers are not willing to utilize it" and the other one replied "though branch expansion is costly, it is an effective approach for deposit mobilization". One respondent who replied as neutral stated the advantage/disadvantage of branch expansion should be studied. Those respondents who felt branch expansion is not advantageous to save cost (increase profit) gave opinion like branch opening is costly due to costs related to rent, salary and benefits and stationery, single branch along ATM/POS machines can achieve the intended profit, there are already plenty of branches in Addis Ababa ,ATM/POS is economical etc.

Table 26 Response on the advantage of branch expansion than ATM/POS to save cost (increase profit)

Branch expansion is advantageous than ATM/POS to save cost/increase profit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	1	4.0	4.2	4.2
	Agree	1	4.0	4.2	8.3
	Neutral	6	24.0	25.0	33.3
	Disagree	14	56.0	58.3	91.7
	Strongly disagree	2	8.0	8.3	100.0
	Total	24	96.0	100.0	
Missing	System	1	4.0		
Total		25	100.0		

Source: Survey SPSS result (2015)

4.2.2.5 AIB's intention to introduce Deposit Receiving (Check and cash note receiving) ATM in one year period

The main aim of branch expansion is to mobilize deposits as shown under 4.1.2.2. Currently the deposit collection is done during working hours only through human teller. According to Aparijita (2010), it is possible to enjoy economies of scale by erecting many ATM machines that could accept cash and cheque deposits and machines that can dispense cash.

However, all of AIB's existing ATMs are cash dispensing ATM and none of the machines accept deposit. The respondents were asked if AIB has intention to introduce deposit receiving ATM machines. The result as illustrated on Table 27 shows the majority of the respondents 52% (13) are neutral while 32% or eight management respondents agreed the bank will introduce deposit receiving machines in one year time. Four respondents disagree that the bank will introduce deposit receiving ATM in one year time. The customers who would like to use ATMs for deposit, as shown in Table 28, is only 10.1% or 8 respondents out of 75 respondents. However, introducing deposit receiving ATM and appealing the service to customers will align with the aim of introducing modern banking technologies with deposit mobilization effort.

Table 27 Intention of AIB to introduce check and cash receiving ATM in one year

AIB will introduce check and cash receiving ATM in one year

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	4	16.0	16.0	16.0
	Agree	4	16.0	16.0	32.0
	Neutral	13	52.0	52.0	84.0
	Disagree	4	16.0	16.0	100.0
	Total	25	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.2.6 Introduction of Currency exchange ATM machines in one year time

One of the resource mobilization efforts of the branches is giving service of foreign currency exchange from USD, EURO and GBP to birr and to facilitate the foreign exchange earnings.

Banks are adding ATM functions such as on-line loan applications, distribution of mini-statements, dispensing of foreign currency, purchase of traveler's checks, and check cashing to attract customers (Morisi August 1996).

Hence whether AIB will introduce currency exchange ATM in one year period or not was asked. The result as shown on Table 28, 13(52%) of the management respondents are neutral while the remaining 12(48%) agree that AIB will introduce currency exchange machine in one year time. The introduction of which not only reduces the necessity of branches, but also extend the service to 24 hours in a day.

Table 28 Intention of AIB to introduce currency exchange ATM in one year

AIB will introduce currency exchange ATM in one year time

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	6	24.0	24.0	24.0
	Agree	6	24.0	24.0	48.0
	Neutral	13	52.0	52.0	100.0
	Total	25	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.2.7 AIB's intention to open offices, having ATM machines only without human teller but having one or two officers to respond to queries and to give support

The large success of ATM deployment has created another trend in bank branching. Instead of building large, full-service branches that are personnel-intensive and very

costly, many organizations are replacing these structures with satellite branches, which are small scale, highly automated, full-service, and generally require management by only two or three personnel (Effects of Information Technology on Financial Services Systems September 1984). To this effect, to know whether AIB has intention to open offices having ATM machines only without human teller, but having one or two officers to respond customers' queries and to give support was asked. The reply, as summarized on Table 29, shows the majority of respondents, 56% (14) are neutral while 28 % (7) agree. The others, 16% (4) do not agree that AIB will introduce such an office in one year time.

The respondents also were requested to give their opinion why agreed/disagreed on the intention of the bank to open offices having ATM machines only. Most managers did not give their opinion. Those who gave their opinion magnified its importance and advantage instead of telling reason. One who replied as disagreed said the intention of the bank is branch expansion. However having such type of ATM offices with ATM machines might be useful with further study.

Table 29 Plan of AIB to open offices having ATM only

AIB has plan to open offices having ATM only

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	2	8.0	8.0	8.0
	Agree	5	20.0	20.0	28.0
	Neutral	14	56.0	56.0	84.0
	Disagree	2	8.0	8.0	92.0
	Strongly disagree	2	8.0	8.0	100.0
	Total	25	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.2.8 Intention of AIB to charge its customers for being served by human tellers

Some foreign banks charge their customers for being served by human teller (Morisi L.1996). Whether AIB has intention to charge its customers for being served by human tellers to encourage use of ATM was asked. The response tabulated on Table 30 shows 48% (12) of the respondents disagree while 40% (10) are neutral and only 12% (3) agree. The respondents' opinion in this regard is that introducing such charge will not be good for the image of the bank, the competition does not allow right now and the psychology of the customer is not ready for such steps are some of the reasons given. Another respondent said in order to discharge the social responsibility of the bank, the bank rather should use human teller. This point indeed could be used as a research idea for other researches.

Since AIB does not seem to have intention to charge customers for being served by human teller, another means should be envisaged to encourage/attract customers use ATM services.

Table 30 Intention of AIB to charge customers for being served by human teller

AIB has intention to encourage ATM use by charging those served by human teller

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	3	12.0	12.0	12.0
	Neutral	10	40.0	40.0	52.0
	Disagree	8	32.0	32.0	84.0
	Strongly disagree	4	16.0	16.0	100.0
	Total	25	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.2.9 Buying ATM by AIB individually in addition to those bought by PSS

AIB is buying its own ATMs in addition to those bought jointly through PSS. Other member banks are also buying their own ATMs but they are lesser than AIB. The ATMs bought by AIB alone can be used by other member banks' customers with some charges. The respondents were asked if they agree with the advantage of buying more ATM

machines by AIB while member banks are buying lesser number. The finding on Table 31 shows the majority of the respondents, numbering 14 (56%) agree on the advantage by mentioning AIB can use the AIB owned ATMs as a competitive edge and as marketing means, income generation mechanism, increase accessibility, to generate foreign currency by accepting foreign payment cards like master card etc. Seven managers responded neutral. One respondent disagree and three respondents strongly disagree stating the service charge to be generated from serving other bank customers (Br. 0.25 per Br.100 withdrawal) is meager to cover depreciation. Since the majority of the respondents agree on buying additional ATMs and the advantage could outweigh the disadvantage this move would be advantageous yet requiring further study.

Table 31 Advantage of buying more number of ATM by AIB alone without member banks contribution

AIB Buying its own ATM machines in addition to PSS distributed

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	6	24.0	24.0	24.0
	Agree	8	32.0	32.0	56.0
	Neutral	7	28.0	28.0	84.0
	Disagree	1	4.0	4.0	88.0
	Strongly disagree	3	12.0	12.0	100.0
	Total	25	100.0	100.0	

Source: Survey SPSS result (2015)

4.2.2.10 The technological advancement in banking industry and the necessity of opening branches in Addis Ababa aggressively

The technological advancement in banking sector may reduce the necessity of opening many branches. The respondents were asked if the aggressive branch expansion of AIB is considerate of this fact. Table 32 shows the result obtained, 16% of the respondents agree AIB's branch expansion is considerate of the impact of banking technological

advancements in replacing branches. However the majority of the respondents, 64% disagree, having a share of 48% as disagreeing and 16 % as strongly disagreeing. The trend of developed countries is also reducing the number of branches and investing in technologies as put by Robin Sidel in his "After many years of growth, Banks are pruning their branches" (Robin Sidel) .

Table 32 Response on whether AIB is considerate of serving with modern technology than aggressive branch opening

AIB is considerate of modern technologies in opening branches

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	1	4.0	4.2	4.2
	Agree	3	12.0	12.5	16.7
	Neutral	4	16.0	16.7	33.3
	Disagree	12	48.0	50.0	83.3
	Strongly disagree	4	16.0	16.7	100.0
	Total	24	96.0	100.0	
Missing	System	1	4.0		
Total		25	100.0		

Source: Survey SPSS result (2015)

4.2.2.11 Use of POS machines for cash advance by merchants in addition to payment for transactions

AIB is distributing POS machines to various merchants. Whether the POS machines can be used to advance cash to card holders was asked. The result obtained depicted on Table, 33, reveals 48% as agreeing, 20% neutral and 24% disagreeing with two responses missing. Dealing with merchants to advance cash through POS machines in addition to transaction payments could reduce the necessity of both branch and ATM.

Table 33 Response on POS machines are used for cash advance

POS are used for cash advance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	3	12.0	13.0	13.0
	Agree	9	36.0	39.1	52.2
	Neutral	5	20.0	21.7	73.9
	Disagree	6	24.0	26.1	100.0
	Total	23	92.0	100.0	
Missing	System	2	8.0		
Total		25	100.0		

Source: Survey SPSS result (2015)

4.3 Analysis and Discussion on Secondary Data

The secondary data are collected from published and unpublished documents of AIB

4.3.1 NBE bills purchased

The introduction of compulsory NBE bills has depleted the fund of the private banks that could have been used for customer lending. According to NBE directive no MFA/NBEBILLS/001/2011, the bills purchased are commensurate to 27% of new loans and advances granted by the banks in any given month. The weekly average of the month's Tuesday balance of every overdraft facilities are summed and if it exceeds previous month average overdraft balance, 27% bill should be purchased by the banks. Since the maturity of each bill is five years, bearing 3% interest, the bond is increasing from year to year. As can be seen in Table 34 below, the bond purchased by AIB has reached Br. 4,067,000,000 as at June30, 2014 (AIB Annual Report 2013/14).

Table 34 NBE bills purchased and loans and advances outstanding (In millions of Birr)

Description/Year	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**
NBE bills purchased	0	1589	2485	3146	4067
Balance of loans and advances	3146	3986	5505	7710	9176
Percentage of the bill to total loans advances	0	39.8%	45.14%	40.8%	44.32%

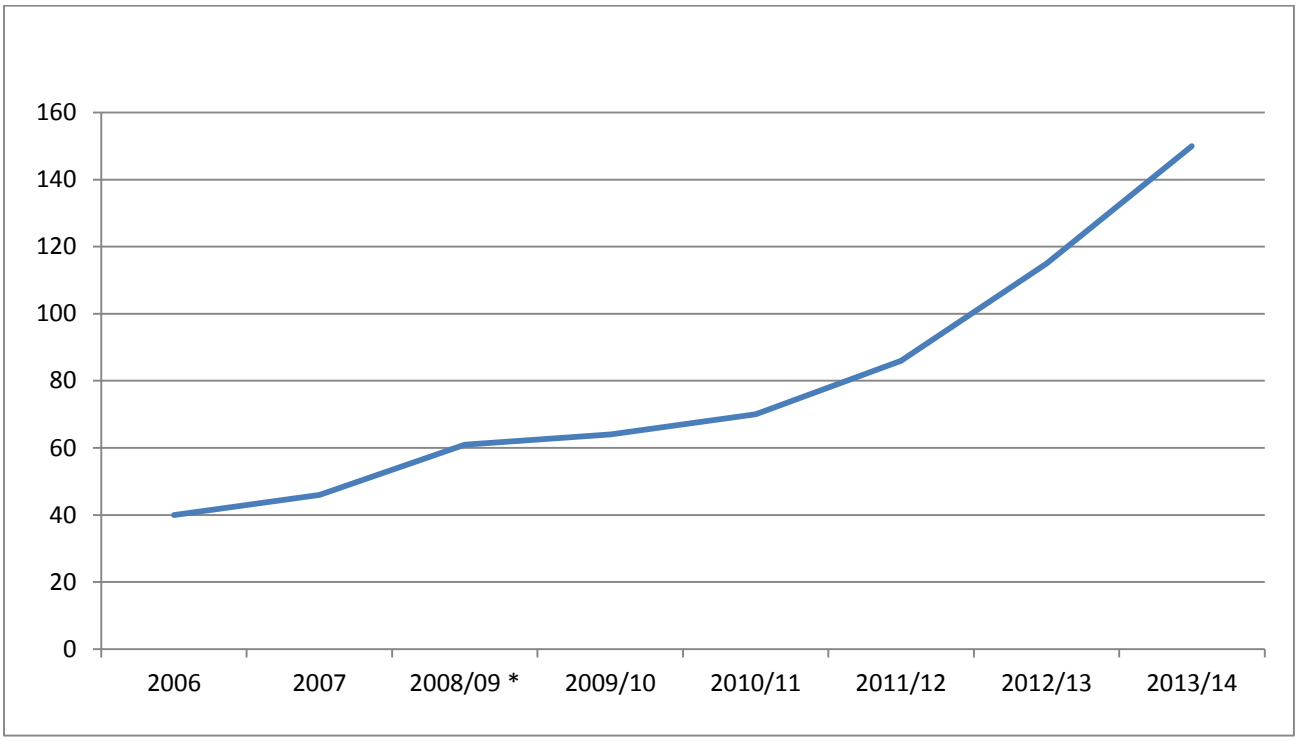
Source Reproduced from AIB Annual Report of 2013/14

Even though the bill is known as 27%, the average bills purchased by AIB are above 43% of the loans and advances as can be seen in the above table 35. This is because, whenever a loan is collected and granted again, another bill is purchased on same fund on which bills were already purchased.

4.3.2 Aggressive Branch Expansion

The Bill coupled with reserve and liquidity requirement leaves the fund left for lending to be minimal. This has led AIB and other banks to aggressively increase their branch numbers. This aggressive branch expansion is unusual trend for AIB when we see it with branch number growth trend before the introduction of NBE bills as depicted on graph 1.

Graph 1 AIB's branch number growth trend before and after 2011



Source AIB Annual Report 2013/14

* The financial period changed from December 31 to June 30

The total number of AIB branches was 64 as at June 2010 after operating for about fifteen years. This shows before the NBE Bill was introduced, the average branch opening was 4.27 branches per year. But four years later, the number of branches increased by 86 making the total number of branches 150 as at June 2014. At the mid of May 2015, the number of branches is 192. The average branch opening of the last four years is around 32 which is 7.5 fold of the previous fifteen years trend.

Therefore as shown in the above discussion and graph, new branch opening for AIB has sharply increased after NBE bills were introduced in 2010/11. Hence gauging the performance of aggressively opened branches is imperative to justify the move.

4.3.3 The performances of Addis Ababa branches opened before and after the aggressive branch expansion started are indicated below

Table 35 *Performance of new branches opened in Addis Ababa after aggressive branch expansion was started (branches opened From July 2011- June 30, 2014) vis-à-vis performances of all Addis Ababa Branches*

	Before introduction of NBE bills	**After introduction of NBE bills (opened from July 1,2011-June 30,2014)**	**Total**	**Share of newly Opened Branches**
Number of Branches	32	57	89	64.04%
Deposit as at June 30,2014	Br. 9,535,893,000	Br. 2,408,100,000	Br. 11,943,993,000	20.16%
Per branch deposit	Br. 297,996,656	Br. 42,247,368	_	
Profit for the year 2013/14	Br.690,264,000	(58,817,000)	631,447,000	Negative contribution

Source: Internal report of the bank summarized from annex 1

Graph 1 coupled with Table 35 shows the aggressive branch expansion in Addis Ababa is the result of the introduction of NBE bills. To withstand with the depletion of loanable fund as a result of purchase of compulsory NBE bills, 57 new branches were opened in three years time as opposed to the trend of 32 branches opened in 16 years. These newly opened branches hold 64.04% of the branch number in Addis Ababa. However as shown on Table 36, they contributed only 20.16% (Br. 2,408,100) in deposit mobilization. Their

contribution to net income is negative (loss of Br. 58,817,000). Actually the age of these new branches is young.

4.3.4 Establishment and operating Cost of Branch

The average establishment cost of a branch is around Birr 2,057,209 (internal document of the bank and the breakdown of the costs are annexed at the end). The costs are summarized as below:

Table 36 Summary of Fixed Assets required for opening a branch

Description	**Total Cost**
Equipment and Furniture	Br. 1,005,095
Computer with accessories and Printer	152,114
Motor Vehicle	900,000
Total Fixed costs	**2,057,209**
Depreciation cost (Total FC/5)	**411,442**

Source: Internal report of AIB (Annex attached)

Annual operating cost of a branch

The annual operating cost of a branch are Salaries and benefits, General and administrative expense, Interest expense and depreciation expenses as shown on Table 37.

Table 37 Annual Operating expense of a branch excluding interest expense

Description	**Annual Operating Expenses of a branch**
Salaries and benefits	1,046,936
General and admin. expense	537,300
Depreciation Expense	411,442
Total Operating expense excluding interest expense	1,995,678

Source: Derived from internal report of the bank (annex attached)

Average lending interest rate…….9%

Average deposit interest rate……..3.16%

Net interest income (Margin)...…….5.84%

The average lending interest rate and average deposit rate are derived from the bank's 2013/14 annual report. The average loan to deposit ratio also derived to be 80%. This means from one hundred birr deposit the loan amount shall be Br. 80. Hence the Br. 80 loan will generate net interest income of Br. 4.67 (80x5.84%). Conversely Br. one deposit will generate net interest income of Br.0.0467. Hence to cover the annual total operating expense of Br. 1,995,678 indicated on Table 37, minimum of Br. 42,734,004 (1,995,678/0.0467) deposit mobilization is required which will bring the branch to break even. Hence the average deposit of Br. 42,247,368 mobilized by each of the 57 newly branches opened after bill introduction falls below breakeven deposit requirement.

Parallel to this, the bank is introducing ATM machines and POS machines. An ATM machine costs Br. 700,000 and Br. 500,000 depending on machine type. POS machine costs Br. 10,000. The maintenance cost of these machines is around 10% of purchase cost. AIB has 120 ATMs and 200 pos machines installed.

Chapter Five

Summary, Conclusions and Recommendations

5.1 Introduction

This chapter concludes the study by summarizing the findings of the study and giving recommendations. Section 5.2 summarizes the major findings and concludes the study. Section 5.3 provides recommendation based on the analysis and findings of the study. Section 5.4 presents recommendations for further research.

5.2 Summary of Major findings

This study tried to see if the current aggressive branch expansion of Awash International Bank S.C in Addis Ababa could be replaced with modern banking technologies like ATM/POS since the aggressive branch opening effort may not help for profit maximization. The aggressive branch expansion is the result of compulsory NBE bills. AIB has invested around Br.4,067,000,000 as at June30, 2014 on NBE bills bearing 3% interest. To cope up with depletion of funds due to NBE bills, AIB tended to open new branches aggressively. The number of AIB branches was 64 in June 2010 after AIB operated for 15 years. In June 2014, four years later, the number of branches increased to 150 increasing by 86 and today, May 2015, the total number of AIB branches is 192.

The total number of AIB branches in Addis Ababa was 89 on June 30, 2014, out of which 57 (64.04%) are new branches opened after the introduction of NBE bills. Even though the branch number contribution of these new branches holds 64.04%, their contribution towards the total deposit of all Addis Ababa branches was only 20.16% or Br. Br. 2,408,100,000. The average per branch deposit balance of these new branches is around Br.42 million while the average deposit of branches opened before the introduction of NBE bills is Br. 298 million. The profit contribution of these 57 relatively new branches is loss of Br. 58,817,000. Unchecked branch opening, therefore, may have negative contribution than its advantage.

Branch establishment fixed cost is around Br. 2,057,209**.** Total operating expense of a new branch excluding interest expense is Br. 1,995,678. To cover this expense, minimum deposit of Br. 42,734,004 required, which is a bit higher from the average deposit of Br. 42,247,368 collected by each 57 branches opened after introduction of NBE bills. Hence the bank should consider when opening branches, that specific branch will mobilize the needed deposit in an acceptable period.

Apart from the branch expansion, the bank is also expanding ATM/POS machines. As stated on Information Systems and Technology in South Africa (2012), Banks have been moving steadily in developing their offerings electronically**,** with a long-term vision of reducing branches and services by developing self-service centers. Reducing branches and staff would lower overheads, allowing the banks to become lower-cost providers and enabling them to become more profitable and competitive.

Though the effort of the bank in introducing ATM/POS is to increase deposit/resources and thereby increase profitability, none of the ATMs deployed are deposit receiving and ready to exchange foreign currencies to local currencies.

Towards evaluating the feeling of customers with regard to ATM/POS machines, customers were requested to fill questionnaires. In the same manner in order to see the plan of AIB towards branch expansion and adding services to ATM/POS etc, the management of the bank such as sampled branch managers as well as relevant division managers and above were requested to fill questionnaires.

The sampled customer respondents indicate the majority of the bank's customer are young between the age of 18-30 and above 60% of the customers are educated having degree and above. This is a good opportunity for the bank to expand more ATM/POS. The cross tabulation of education-work status indicate the highly frequented response is employee having degree. This shows the bank can take advantage of opening accounts by approaching employers to pay salaries of employees through bank account. The sampled respondents also show 81.8% of the bank's customer income level is around

USD 800, which is higher than the country's average per capita income of USD 470.This have its own implication in mobilizing deposits.

The majority of the sampled customers have account with AIB but around 9.6% were walking customers who could be turned to account holders. However 30.7% (35) of the respondents do not use ATM cards. Some of the respondents gave reason they requested ATM card but the card is not yet ready.

All the respondents who use ATM cards responded using ATM/POS machines is advantageous. This could encourage the bank to expand ATM/POS with limited branches instead of aggressively opening branches. Around 39.3% of the card holders recommend the existing ATM cash withdrawal limit of 10,000 to be raised to a higher amount. Most of them recommended withdrawal limits between Br. 15,001 – 20,000.

About 92.4% of ATM/POS machine users face problems like network problem; system deducts balance from account without dispensing cash, machine hangs ATM cards, machine not available everywhere, delay in refund of wrong deductions, no cash in ATM etc. Yet around 92.4% of the card holder respondents feel service of ATM/POS is convenient than the conventional teller service. The majority of the card holder respondents (65.8%) also agree to feel as if they have cash, even if they do not have money in their pocket, because they can withdraw cash any time using their ATM card. However, 34.2% of the card holders do not feel as if they have cash in pocket carrying ATM card only.

With regard to POS machines, the majority of the card holder respondents (92.4%) did not use POS machines to pay their bills. The reasons for not using POS machines include they do not know about POS machines, the machines are not available in many places; the machines do not work etc.

The majority of the card holder respondents (74.7%) agree on the general advantage of ATM/POS over the conventional teller service. Those who disagreed with the general advantage of ATM/POS gave reasons like transaction lists and updated balance will not

be available on pass book for their disagreement. Similarly 42.1% of the respondents are dissatisfied with the response time for problems encountered on ATM/POS machines. System failure, deduction of account without dispensing cash, the refund of which takes a month etc are the reason for their dissatisfaction.

The questionnaires presented for the bank's managers revealed 80% response from head office managers and 20% from branch managers. The 44% of the respondents are department managers and above department position while the remaining 56% are division managers and branch managers.

The majority of the respondents (80%) feel branch expansion is advantageous than ATM/POS to attract customers in Addis Ababa. But when it comes to cost saving (profit increase) the majority of respondents (64%) disagree on the advantage of branch expansion over ATM/POS. Most of the managers (52%) are neutral (do not know) whether the bank will introduce check and cash receiving machines or not.

As stated by Morisi (August 1996) banks are adding ATM functions such as on-line loan applications, distribution of mini-statements, dispensing of foreign currency, purchase of traveler's checks, and check cashing to attract customers. To this end the employees' response for question on whether the bank will introduce currency exchange machine in one year or not revealed a 52% reply of neutral while the remaining 48% agrees that the bank will introduce ATMs having added functionalities. The majority of the respondents (56%) again responded as neutral while 16% disagreed on questions whether the bank will open branches having ATM machines only but one or two officers to respond to queries.

The employee respondents also were asked if the bank will introduce charges for being served by human teller while it was possible to use ATMs. Only 12% agreed on this charge giving reasons like introducing such charges will not be good for the image of

the bank, the competition does not allow right now and the psychology of the customer is not ready for such steps.

Since the ATM/POS of AIB can be used by customers of other member banks, the advantage of buying ATM/POS by AIB alone was asked. Most of the sampled employees, (56%) agree on the advantage by mentioning AIB can use the AIB owned ATMs as a competitive edge and as marketing means, income generation mechanism, increase accessibility, to generate foreign currency by accepting foreign payment cards like master card etc.

Modern banking technologies like ATM and POS machines, if implemented with added services, could replace aggressive branch expansion. The effort to know whether AIB is considerate of replacing aggressive branch opening with modern banking technologies revealed the majority of management respondent (64%) replied AIB is not considerate of ATM/POS technologies. If POS machines can be used by merchants to advance cash through use of POS machines, the need for branch will reduce. The response whether the POS machines will be used for cash advance or not revealed as 48% as agreeing while 20% are neutral.

5.3 Recommendations

The following recommendations are made based on the study.

First the study showed the branch opening trend of AIB after introduction of NBE bills is aggressive. The operational contribution of these newly opened branches is negative. Therefore it is advisable to make the branch number growth organic and their contribution should be positive.

The ATM/POS expansion should be in line with the resource mobilization effort of the bank. Hence new ATMs to be purchased should be deposit receiving, capable of handling foreign exchange etc. The general feeling of the customer towards ATM is positive. However the study found the per day cash withdrawal limit from ATM should be revised to be between Br. 15,000 and Br. 20,000 to accommodate the majority's

interest. Problems like network interruption, delay in refunding wrong deductions, availability of ATM and POS, no cash in ATM, delay in card supply are recommended to be corrected. The bank can convert its walking customers to account holders by appealing them through excellent service. It should also increase those account holders to ATM card holders as well. Awareness should be created about the use and advantage of POS machines to the customer of the bank and to the general public. In general the bank should be considerate of modern banking technologies like ATM/POS when opening new branches.

5.4 Recommendation for further research

There is a feeling that says banks should discharge their social responsibility by employing human tellers instead of installing more automatic teller machines. The profitability of the banks vis-à-vis with their social responsibility should be studied to find optimal solution

The majority of management respondents feel AIB's trend of buying ATM machines by its own, in addition to machines bought through PSS, while the machine can be used by member banks is advantageous for foreign currency generation, to lead the market and to get service charge by levying other bank customers etc. Yet some feel the service charge collected is meager to cover depreciation. Therefore, whether it is advantageous to go for AIB to by ATM that can be used by member banks should be studied.

The factors that determine branch number, whether existence of opportunities, amount of capital of the bank or total asset of the bank is not known. Therefore to avoid excess branch number for a bank, study should be done in this regard.

.

REFERENCES

AIB Annual Report 2013/14

Aparijita S. (2010) .*What are the main advantages and disadvantages of Branch Banking?* http:www.preservearticles.com

Bhattacherjee, A. (2012*)*. Social Science Research: Principles, Methods and Practices (2nd ed.). Global Text Project.

Corbetta, P. (2003). Social science research:Theory, Methods and Techniques. SAGEPublications Ltd.

Creswell, J. W. (2009). Research design: Qualitative, Quantitative and Mixed Method Approaches. Los Angeles: Sage Publications Ltd.

Crosby, L.A. and Johnson, S.L., (2002). Going My Way. Marketing Management, Vol. 11, July/August, pp. 10-11.

CSA Census, (1994). Retrived on December 23,2014 from http://www.csa.gov.et/index.php/2013-02-20-14-51-51/2013-04-01-11-53-00/census-1994.

David A. Aaker, V. S. (1998). Marketing Research (6th ed.). Canada: John Wiley & Sons.

Dennis H., (2014), ATM Machines Vs. Bank Tellers, PP.7.

Deiterich A., (2014).What Are Automatic Teller Machines?

Diffen B. (2012). ***Branch Banking vs. Unit Banking***. www.diffen.com.

Field, A. (2005). Discovering Statistics Using SPSS (2nd Edition ed.). LONDON: SAGE Publications.

Geoffrey Marczyk, D. D. (2005). Essentials of Research Design and Methodology. New Jersey: John Wiley & Sons, Inc.

Gammoh, B. S., Voss, K. E., Skiver, R., (2011). Continuous and discontinuous innovation (Theeffects of brand equity and product category knowledge). American Journal of Business, Vol. 26 No. 1, pp. 65-79.

Ho, R. (2006). Handbook of univariate and multivariate data analysis and interpretation with spss. Chapman & Hall/CRC.

Hoggson, N. (2014).Banking Through The Ages. Retrieved on January 2, 2015 from http://archive.org/details/bankingthrough00hogg.

Humphrey D., (2004), Delivering Deposit Services: ATMs Versus Branches, PP3-4.

Humphery, D. ,(2004). Electronic Payments and ATMs, Changing Technology and Cost. Retrived on January 2, 2015 from http://www.ugr.es/~scaarbo/Electronic%2520 Payment% 2520and %2520ATMs.

Hunger, T. L. (2012). Strategic management and business policy:toward global sustainability (13th ed.). New York: Pearson Education, Inc., publishing.

Jan Jonker, B. P. (2010). The Essence of Research Methodology. Springer.

Kothari.C.R. (2004). Research Methodlogy Methods and Techniques (2nd revised ed.). New Delhi: New Age International Publishers.

Louis Cohen, L. M. (2000). Research Methods in Education (5th ed.). London: RoutledgeFalmer.

Mauri, A. (2003), Origins and Early Development of Banking In Ethiopia. Retrived on January 2, 2015 from http:/en.wikipedia.org/wiki/Histtory of Ethiopia.

Myllynen J. (2009), Modern banking solutions changing business and people, PP 22-25.

Morsi, T.L. Computers and Banking. Monthly Labor Review, August 1996, PP 7-11.

NBE Directive No. SBB/22/96, Licensing and Supervision of Banking Business, National Bank of Ethiopia.

NBE directive, (2011), no MFA/NBEBILLS/001/2011

Omankhanlen, O. (2007). ATM: Rising threats and users' dilemma. Retrieved January 16 2014, fromhttp://www.tribune.com.ng

Pankhurst, R. Early Ethiopian Banking History. Annual Megazin of Bank of Abyssinia.

Sambamurthy B. and Ashvin P. (2010), Technology in banking P.3

Schmitt, B. (2003). Customer Experience Managment.Hoboken, New Jersey: John Wiley & Sons, Inc.

Sekaran, U. (2003). Research methods for business:a skill building approach (Fourth Edition ed.). John Wiley & Sons, Inc.

Sinha, A. (2010). Advantages of Branch Banking. Retrieved on December 20,2014 from http:/www.preservearticle.com

Singh, Y. K. (2006). Fundamentals of Research Methodology and Statistics(1st ed.). New Delhi, India: New Age International Publishers.

Wikimania ,(2015). History of Banking. Retrieved on January 20,2015 from https://en.wikipedia.org/wiki/History_of_banking

Appendix i
Questionnaire to Customers

□□□ □□□ □□□□□□

□□□□□ □□□□□□ □□□

□□□ □□□□ □□□ □□□□ □□□ □□□□□□ □□□□ □□□ □□□□ □□□□□□□□ □□□□ □□ □□□□ □□□□□□□□□ □□□□□□ □□□□□□ □□□ □□□ □□□□□□ □□□□ □□□□ □□□ □□□□□□□□ □□□ □.□. □□□□ □□□ □□□□ □□□□□ □□□□ □□□□□ □□ /ATM/ □□ □□ /POS/ □□□□□ □□□□ □□□□ □□□□□ □□□□ □□□□ □□□□ □□□□□ □□□□□ □□□□ □□□□□ □□□□□ □□□□□□□ □□□□□□□ □□□ □□□ □□□□ □□□□ □□□□□□□□ □□□□□ □□□□ □□□□□ □□□□□□□□ □□□□□□□□

□□□□□ □□ □□ □□□ □□□□□□□ □□□ □□□□□ □□□ □□□□□□□ □□□□ □□□ □□□ □□□□□□ □□□□□□□ □□□□□□□□□

□□□□□ □□□□ □□□□□ □□□□□ □□□□□□□ □□□□□ □□□□□□□□□□ □□□□□ □□□ □□□□ □□□□□ □□□ □□ □□□□ □□□ (0911 65 49 96) □□□□ □□□ □□ □□□□ □□□□□□

□□□ **I**

1. □□

□□□ □□

2. □□□

□18 - 30 □31 – 40 □41 – 50 □50 □□□

3. □□□□ □□□

□□□/□ □□□ □□□ □□□□ □□□

□□□□□/□□□□□□

4. □□□□□□□ □□□□

□ 4□ □□ □4□ □□□□ □□□□ □5-10□ □□□□

□ □10□ - 12□ □□□□ □ □□□□

□ □□□□□□□ □□□□ □ □□□□ □□□□ □□ □□□□ □□□□

5. □□□□ □□□□

□ □□□□ □ □□ □□ □ □□□□ □ □□□□ □

□□□□

6. □□□□□ □□

□ □1400 □□□□ □ □1401 - 3550 □ □3551 - 5 □

□5000 □□□□

□□□ II

7. □□□□ □□□□ □□□□ □□□□□?

□ □□□□ □□□□ □ □□ □□□□□

□□□□□ □□□□ □□□□□□ □□□□□ _____

_____

8. □□.□.□□ □□□□ □□□□□ □□□□□?

□ □□ □□ □□ □□□□ □□□□□□□ □ □□ □□ □□ □□□□ □□□□□

9. □□□□□□ □□□□ □□□□□ □□□□□ □□□□ □□□□□□□□□□ □□□□□

□ □□□□□□□ □□□□□□□ □ □□□□□□□□ □□□□ □□□□□□

□ □

□□□□ □□□□□□□ □□□□□ □□□□□□□ (□□□□□ □□□□

□□□)

□□□□ □□□□□□□ □□□□□ □□□ □□ □□□□□□□ □□□□□□□

□□ □□□□□ □□ □□□□

_____

□□□□□□□- □□.□.□□ □□□ □□□□ □□□□ □□□ □□□ □□□□ □□□□□

□□□□ □□□□□□□□□ □ □□□□□□□□!!

□□□ **III**

10. □□□□□/□□□ □□□ □□□□ □□□ □□□ □□□□

□ □□□ □□□□□□□ □ □□□□□□□

□□□□□ □□□□□□□ □ □□□ □□□□□□□

11. □□□□□ □□□ □□□□ □□ □□□□ □□□□□□□ □□□□ □□□□□ □□□

□□ □□□□

□□□ □□□□□□□ □□□□□□□ □□□□□

□□□□□□□ □□□ □□□□□□□

12. □□□ □□□ 11 □□ □□□□□ □□□□□□ □□□□□ □□□ □□□ □□□

□□□□

□ 10,001 – 15,000 □ 15,001 – 20,000

□ □

20,051 – 25,000 25,001 – 35,000

13. □□□□□ □□□ □□□□□ □□ □□□□□□□□ □□□ □□□?

□□□ □□ □□ □□□ □□□

14. □□□ □□ □□□□□ □□ □□□ □□ □□ □□□ □□□□ □□?

☐ □□□□□□ □□□□□□□ ☐ □□□□□□□ □□□□□ □□□□ □□□□□□

☐ □□□□□ □□□□ □□□□□□□□ ☐ □□□□□□ □□□□ □□□□□ □□□□ □□□□

□□□□□□□

☐ □□ □□□□□□ □□

_____

_____

15. □□□□ □□□□ □□□□ □□□□□□ □□□□ □□□□ □□□□□ □□□□□□ □□□□ □□□□□□

□□□□ □□□□□ □□□□□

☐ □□□□ □□□□□□□ ☐ □□□□□□□

☐ □□□□□□ ☐ □□□□□□□ ☐ □□□□ □□□□□□□

16. □□□□ □□□□ □□□□ 15 □□ □□□□□□□ □□□□ □□□□□□□ □□□□□□□

□□□□□_____

_____

17. □□□□□ □□□□ □□□□□□ □□□□□□ □□□□ □□□□ □□□□□ □□□□□

□□□□□ □□□□ □□□□□□□

□□□□□□

☐ □□□□ □□□□□□□ ☐ □□□□□□□

☐ □□□□□□ ☐ □□□□□□□ ☐ □□□□ □□□□□□□

18. □□□□ □□□□ □□□□ 17 □□□□□□□ □□□□ □□□□ □□□□□□□

□□□□□□□ □□□□□ _____

_____

_____

19. □□□□□ □□□□□□ □□□□□□□ □□□□□□ □□□□ □□□□□□ □□□□□

□□□□ □□□□□□?

(□□□□□ □□□□ □□□□ □□□□□ □□□□□)

□ □□□□□ □□□□□ □□□□□□ □□□□ □□□□□

□ □□□□□ □□□□□ □□□□□□ □□□□ (teller) □□□□□

□ □□□□□ □□□□□□ □□□□.□□ □□□□ □□□□□

□ □□□□□ □□□□□□ □□□□□□ □□□□□ (teller) □□□□□

20. □□□□ □□□□ □□□□□□□□ □□□□□ (□□□□ □□□□) □□□□□□□□□

□□□□□□ □□□□□□-

_____

_____

_____

21. □□□□□ □□□□□□ □□□□□ □□□□ □□□□ □□□□□□□ □□ □□□□□□

□POS/□□□□□ □□□□□ □□□□ □□□□□ □□□□□□?

□ □□□□ □POS/□□□□□ □□□□□ □□□□ □□□□□ □□□□□□

□ □□ □POS/□□□□□ □□□□□ □□□□ □□□□□ □□□□□□

22. □□ □□ □□□□ □□□□ 21 □□□□□□□□ □□□□ □□□□□ □□

□POS/□□□□□ □□□□□ □□□□ □□□□□ □□□□□□ □□□□ □□□□□□ □□□□□

□□?

□ □□ POS/□□□□□ □□□□□ □□□□ □□□□□□□

□ POS/□□□□□ □□□□□ □□□□ □□ □□ □□□□□

□ □□□□ □□□□□ □□□□□□□

□□ □□□□□□□ _____

23. □□□□□□□ □□□□ □□□□□□/□□□□□□ □□□□□ □□□□/ □□□□□□□□ □□□□□□□ □□□□□□ /□□□□□□ □□□□□/ □□□□□□ □□□□□□□ □□□□□ □□

□ □□□□ □□□□□□□ □ □□□□□□□

□ □□□□□□ □ □□□□□□□ □ □□□□ □□□□□□□

24. □□□□ □□□□ □□□□ 23 □□□□□□□□□□ □□□□ □□□□□□□□□□□ □□□□□□ □□□□□

_____

_____

_____

25. □□□□ □□□□□□/□□ □□□□ □□□□□□ □□ □□□□□ □□□□□□□ □□□□□ □□ □□□□ □□□□□

□ □□□□ □□□□□□□ □ □□□□□□□

□ □□□□□□ □ □□□□□□□ □ □□□□ □□□□□□□

26. □□□□□ □□□□□□□ □□

_____

_____

_____

□□□□□□□□ □□□□□□□□□□

Appendix ii
Questionnaire to Managers

Addis Ababa University

College of Business and Economics

This questionnaire is prepared to gather data from management of AIB for the accomplishment of Executive Master of Business Administration Project paper at Addis Ababa University, College of Business and Economics. The purpose of the study is to evaluate the aggressive branch expansion of AIB versus ATM/POS machines in Addis Ababa. Your genuine and well thought response to the questions will enhance the purpose of the study.

The information you give will be used only for academic purpose and it will be kept confidential. You are not supposed to write your name.
I thank you in advance for your cooperation. You may use the following mobile number for any querries.
Berhanu Balacha (0911 65 49 96)

1. Your current position

   ☐ President/vice president

   ☐ Director

   ☐ Department manager

   ☐ Division manager

   ☐ Branch Manager

2. AIB is currently expanding its branches aggressively. What do you think the **main** reason for the expansion of branch?(you may choose more than one)

   ☐ To mobilize deposit

☐ To avail credit facility

☐ To get foreign currency

☐ To be leader in branch number

☐ Other

_____

_____

Banch expansion is more effective for AIB to attract customers in Addis Ababa than ATM/POS expansion

☐ Strongly Agree Ag☐ N☐l

☐ Disagree ☐ Strongly Disagree

3. Branch Expansion is more advantageous than ATM/POS expansion for AIB to **save cost (to increase profit)** in Addis Ababa.

☐ Strongly Agree Ag☐ N☐al

☐ Disagree ☐ Strongly Disagree

Please state the reason why you agree or disagreed on question No.4 _____

_____

____

4. AIB will introduce **deposit receiving (cheque deposit and cash deposit)** ATM in one year period

☐ Strongly Agree A☐ ☐al

☐ Disagree ☐ Strongly Disagree

Please state the reason why you agree or disagreed on question No.5 _____

_____

5. AIB will introduce **currency exchange** (USD,Euro and GBP to ETB)ATM machine in one year time.

☐ Strongly Agree ☐ A ☐ Ne

☐ Disagree ☐ Strongly Disagree

Please state the reason why you agree or disagreed on question No.6 _____

_____

6. AIB will introduce **money transfer service** through ATM Machines in one year period.

☐ Strongly Agree ☐ A ☐ Ne

☐ Disagree ☐ Strongly Disagree

Please state the reason why you agree or disagreed on question No.7 _____

_____

7. AIB has a plan to open **offices**, having **ATM machines only** without human teller, but having one or two officers to respond customers querries and to give support.

☐ Strongly Agree ☐ A ☐ Ne

☐ Disagree ☐ Strongly Disagree

Please state the reason why you agree or disagreed on question No.8 _____

_____

8. AIB has intention to **charge** its own customers **served by human tellers** in order to encourage customers use ATM machines instead of human teller.

☐ Strongly Agree ☐ A ☐ N ☐l

☐ Disagree ☐ Strongly Disagree

Please state the reason why you agree or disagreed on question No.9 _____

_____

9. Apart from PSS (premier switch solution) AIB is buying its own ATMs. Both in profit (from charges levied by entertaining other banks customers) and from depositor attraction it will be advantageous for AIB to buy ATM machines by its own

☐ Strongly Agree ☐ A ☐ N al

☐ Disagree ☐ Strongly Disagree

Please state the reason why you agree or disagreed on question No.10 _____

_____

10. The technological advancements in banking sector may reduce the necessity of opening many branches. The branch expansion of AIB in Addis Ababa is considerate of this fact.

☐ Strongly Agree ☐ A ☐ Ne ☐

☐ Disagree ☐ Strongly Disagree

Please state the reason why you agree or disagreed on question No.11 _____

_____

11. AIB is distributing POS machines to various merchants. The POS can be used for cash advance by the merchants to card holders in addition to payment for transactions.

☐ Strongly Agree ☐ A ☐ Ne ☐

☐ Disagree ☐ Strongly Disagree

Please state the reason why you agree or disagreed on question No.12 _____

_____

12. Any other idea you may need to add

_____

_____

I thank you for your Cooperation

Addis Ababa Branches opened before and after introduction of

NBE bills (000)				
Name of Branch	Deposit	Net Profit	Date Opened	1
Addis Ketema Branch	265,654	53,376	Opened before NBE bills introduction	
Addisu Gebeya	18,595	(592)	24/03/2014	2
Africa Andinet Branch	276,914	10,255	Opened before NBE bills introduction	
Africa Venue	54,544	(1,073)	02/07/2011	3
Airport Branch	47,447	(1,472)	19/03/2013	4
Akaki	11,161	(907)	09/01/2014	5
Alem Bank	19,425	(2,038)	20/05/2013	6
Arada Giorgis	154,238	(4,719)	Opened before NBE bills introduction	
Arat Kilo Branch	405,371	(4,994)	Opened before NBE bills introduction	
Asco	77,380	(3,087)	10/12/2011	
Asira Sement' Mazoria	35,991	(2,298)	13/03/2013	
Bekilo Bet	16,204	(2,234)	17/09/2013	
Bethel	18,222	(1,535)	03/09/2013	
Bole	346,619	42,346	Opened before NBE bills introduction	
Bole 22 Road	2,743	(519)	10/3/2014	
Bole 24	1,058	(277)	16/05/2014	
Bole Medanalem	135,710	(8,000)	30/04/2013	
Bole Michael	37,929	(3,518)	28/01/2013	
Bulgaria Mazoria	52,131	(4,617)	20/11/2012	
Churchil road	38,401	(1,921)	09/09/2012	
CMC	15,381	(1,391)	09/11/2013	
Dessie Ber	19,414	(2,000)	10/4/2013	
Dil Gebeya	147,326	5,642	Opened before NBE bills introduction	

Dubay Tera	5	(8)	26/06/2014	
Edget	4,252	1,601	04/02/2014	
Enderase	20,837	(1,329)	16/12/2013	
Ferensay Legasiyon	1,919	(212)	22/05/2014	
Finfinnee	537,625	(3,444)	14/02/2011	
Fit Ber	60,345	(1,652)	24/09/2011	
Geja Sefer	8,461	(1,190)	05/12/2013	
Genet Hotel	21,915	(2,681)	09/11/2012	
Gerji	169,313	14,105	Opened before NBE bills introduction	
Gerji Gorgis	72,133	(2,764)	14/06/2012	
Gofa Gabriel	68,335	(1,294)	08/10/2011	
Gofa sefer Branch	497,916	31,588	Opened before NBE bills introduction	
Gotera	40,430	30	16/06/2012	
Gulele	119,775	(1,105)	Opened before NBE bills introduction	
Gurd Sholla	181,520	244	Opened before NBE bills introduction	
Habte Giorgis Br.	197,862	16,524	Opened before NBE bills introduction	
Haya Hulet Maz. Branch	328,639	40,773	Opened before NBE bills introduction	
Head Office Branch	1,636,265	115,966	Opened before NBE bills introduction	
Jemmo	212,353	(3,059)	Opened before NBE bills introduction	
Kaliti Gumruk	668	(343)	14/04/2014	
Kara Kore	25,069	(1,642)	23/09/2013	
Kara Road	34,286	(2,179)	31/12/2012	
Kasanchis Branch	288,145	18,347	Opened before NBE bills introduction	
Kebena	19,473	(2,235)	28/06/2013	

Kirkos Akababi	113,975	32,473	Opened before NBE bills introduction	
Kolfe Branch	400,832	15,935	Opened before NBE bills introduction	
Korea Hospital	36,951	(1,191)	12/11/2011	
Kotobe	375,329	(9,396)	Opened before NBE bills introduction	
Kuas Meda	19,357	(429)	03/12/2012	
Lafto	159,069	(2,671)	Opened before NBE bills introduction	
Lamberet	1,048	(25)	18/06/2014	
Lebu	26,596	(2,531)	04/03/2013	
Legehar Branch	784,042	69,273	Opened before NBE bills introduction	
Lideta	125,474	4,430	Opened before NBE bills introduction	
Mechara	9,976	(1,643)	Opened before NBE bills introduction	
Megenagna	218,823	28,185	Opened before NBE bills introduction	
Megenagna Adebaby	33,200	(2,454)	19/04/2013	
Mehal Arada Branch	272,741	3,464	Opened before NBE bills introduction	
Mehal Gebeya	91,717	5,533	31/12/2011	
Mehal Gofa	17,186	(2,016)	21/12/2012	
Mekannisa Abbo	17,230	(1,865)	29/04/2013	
Merkato Branch	414,826	55,836	Opened before NBE bills introduction	
Oloympia	5,983	(680)	28/02/2014	
Meskel Flower	47,360	4,271	25/02/2012	
Mexico	49,469	5,261	23/04/2013	
Nifas Silk	220,882	15,649	Opened before NBE bills introduction	
Oloympia	9,177	(1,698)	13/09/2013	
Piazza	53,456	(759)	05/11/2011	
Salo Gorra		(308)	07/05/2014	

	2,737			
Saribet	11,307	(1,243)	04/11/2013	
Saris	41,944	(2,680)	21/01/13	
Saris Addisu Sefer	31,662	(2,272)	05/06/2013	
Sebategna Akababi Br.	239,806	17,817	Opened before NBE bills introduction	
Shalla	38,012	(3,029)	25/03/2013	
Sheger	34,474	(2,112)	01/01/2013	
Shegole	8,179	(670)	05/02/2014	
Sidamo Tera	103,781	8,406	Opened before NBE bills introduction	
Signal Akababi	22,086	(2,233)	25/03/2013	
Stadium Branch	405,769	28,344	Opened before NBE bills introduction	
Teklehaimanot	197,248	55,805	Opened before NBE bills introduction	
Temenja Yaj	71,632	13,772	Opened before NBE bills introduction	
Tirafic Tsifetibet	180,824	14,584	31/03/2012	
Torehailoch	1,550	(5)	26/06/2014	
Urael	193,778	19,296	Opened before NBE bills introduction	
World Bank	32,984	(1,151)	28/06/2012	
Wuha Limat	76,119	(2,293)	17/03/2012	
	11,678,339.38	631,446.84		

Addis Ababa Branches opened after introduction of NBE bills			
Name of Branch	Deposit	Net Profit	Date Opened
Addisu Gebeya	18,595	(592)	24/03/2014
Africa Venue	54,544	(1,073)	02/07/2011
Airport Branch	47,447	(1,472)	19/03/2013
Akaki	11,161	(907)	09/01/2014
Alem Bank	19,425	(2,038)	20/05/2013
Asco	77,380	(3,087)	10/12/2011
Asira Sement' Mazoria	35,991	(2,298)	13/03/2013
Bekilo Bet	16,204	(2,234)	17/09/2013
Bethel	18,222	(1,535)	03/09/2013
Bole 22 Road	2,743	(519)	10/3/2014
Bole 24	1,058	(277)	16/05/2014
Bole Medanalem	135,710	(8,000)	30/04/2013
Bole Michael	37,929	(3,518)	28/01/2013
Bulgaria Mazoria	52,131	(4,617)	20/11/2012
Churchil road	38,401	(1,921)	09/09/2012
CMC	15,381	(1,391)	09/11/2013
Dessie Ber	19,414	(2,000)	10/4/2013

Dubay Tera	5	(8)	26/06/2014
Edget	4,252	1,601	04/02/2014
Enderase	20,837	(1,329)	16/12/2013
Ferensay Legasiyon	1,919	(212)	22/05/2014
Finfinnee	537,625	(3,444)	14/02/2011
Fit Ber	60,345	(1,652)	24/09/2011
Geja Sefer	8,461	(1,190)	05/12/2013
Genet Hotel	21,915	(2,681)	09/11/2012
Gerji Gorgis	72,133	(2,764)	14/06/2012
Gofa Gabriel	68,335	(1,294)	08/10/2011
Gotera	40,430	30	16/06/2012
Kaliti Gumruk	668	(343)	14/04/2014
Kara Kore	25,069	(1,642)	23/09/2013
Kara Road	34,286	(2,179)	31/12/2012
Kebena	19,473	(2,235)	28/06/2013
Korea Hospital	36,951	(1,191)	12/11/2011
Kuas Meda	19,357	(429)	03/12/2012
Lamberet	1,048	(25)	18/06/2014
Lebu	26,596	(2,531)	04/03/2013
Megenagna Adebaby	33,200	(2,454)	19/04/2013
Mehal Gebeya	91,717	5,533	31/12/2011

Mehal Gofa	17,186	(2,016)	21/12/2012
Mekannisa Abbo	17,230	(1,865)	29/04/2013
Oloympia	5,983	(680)	28/02/2014
Meskel Flower	47,360	4,271	25/02/2012
Mexico	49,469	5,261	23/04/2013
Oloympia	9,177	(1,698)	13/09/2013
Piazza	53,456	(759)	05/11/2011
Salo Gorra	2,737	(308)	07/05/2014
Saribet	11,307	(1,243)	04/11/2013
Saris	41,944	(2,680)	21/01/13
Saris Addisu Sefer	31,662	(2,272)	05/06/2013
Shalla	38,012	(3,029)	25/03/2013
Sheger	34,474	(2,112)	01/01/2013
Shegole	8,179	(670)	05/02/2014
Signal Akababi	22,086	(2,233)	25/03/2013
Tirafic Tsifetibet	180,824	14,584	31/03/2012
Torehailoch	1,550	(5)	26/06/2014
World Bank	32,984	(1,151)	28/06/2012
Wuha Limat	76,119	(2,293)	17/03/2012
	2,408,100	(58,817)	

Annual General And Administrative Expense of new branches		
No.	Particulars	Annual Expense
1	Office Rent	420,000
2	Stationery and Printing	36,000
3	Communication(Tel,postage etc)	24,000
4	Business Travel	16,000
5	Transportation of Currency	12,000
6	Representation Expense	9,600
7	Maintenance of Motor vehicles	3,000
8	Fuel and lubricant	800
9	Property Insurance	8,000
10	Utility	2,400
11	Wages	2,000
12	Maintenance of Equipment and furniture	2,000
13	Sundries	1,500
Total		**537,300**

Fixed Assets Requirement of new branch

Item	Quantity	Unit Cost (in Birr)	Total Cost (in Birr)
Equipment, Furniture and Fittings			**1,005,095**
Safe (Gig)	1	100,000	100,000
Safe (Medium)	-	-	-
Note Counting Machine(Big)	1	54,926	54,926
Note Counting & Detecting Machine (small)	1	30,000	30,000
Metal Detector	1	7,000	7,000
Fireproof Filling Cabinet	1	25,000	25,000
Sorting Table	2	1,200	2,400
Teller's Stool	1	2,800	2,800
Notice Board	1	500	500
Fire Extinguisher (CO_2 & H_2O)	1	1,506	1,506
Wall Clock	1	660	660
Photocopy Machine	1	28,289	28,289
Photocopy Machine Stand	1	1,600	1,600
CD Player	1	4,600	4,600
Fax Machine	1	7,181	7,181
Suggestion Box	1	500	500
Light boxes	1	26,400	26,400
Counter and Partition	1	200,000	200,000

Generator	1	298,488	298,488
Numbering Board/Queen Bell	1	6,945	6,945
Type writer English 62 Cm	1	14,000	14,000
Type writer English 46 Cm	1	6,000	6,000
Electrical Calculator	4	3,200	12,800
Filing Cabinet	2	4,000	8,000
Lateral filling cabinet	1	4,400	4,400
Double pedestal Desk	2	6,000	12,000
L-Shape Managerial Desk	1	9,000	9,000
Single Pedestal Desk	5	3,800	19,000
L-Shape Secretarial Desk	1	6,500	6,500
coffee Table	4	2,000	8,000
Type Writer Stand	2	1,800	3,600
computer Stand Small	8	2,000	16,000
Managerial Swivel chair	1	4,000	4,000
Swivel Chair with Arm Rest	5	2,900	14,500
Medium Back Swivel Chair	1	3,500	3,500
Guest Chair Without Arm rest	14	2,400	33,600
Guest Chair With arm res	4	2,000	8,000
Book Shelf	1	6,000	6,000
Coat Hunger	2	1,200	2,400
Dixon Shelf	6	2,500	15,000

Computer with accessories	8	12,972	103,776
UPS	8	2,182	17,456
Laser Jet Printer	1	7,532	7,532
Net Work Printer	1	9,600	9,600
Dot Matrix printer(heavy Duty)	1	13,750	13,750
Automobile	1	900,000	900,000
Total Equipment, Furniture & fittings			**1,005,095**
Total Computer with Accessories & printer			**152,114**
Total Motor Vehicles (Automobile)			**900,000**
Total			**2,057,209**

Manpower Requirement including Salaries and Benefits for new branch

(in Birr)

Job Title	No. of Empl.	Unit Monthly Salary	Unit Monthly Allowance	Total Monthly Salary	Total Monthly Allowance	Grand Total
Branch Manager	1	10,296	5000	10,296	5,000	15,296
Accountant	1	5,938	800	5,938	800	6,738
Auditor	1	4,761	800	4,761	800	5,561
Teller I	2	4,080	1,750	8,160	3,500	11,660
CashierI	1	4,761	1,750	4,761	1,750	6,511
Secretary I	1	4,080	600	4,080	600	4,680
Bank Clerk	2	4,080	600	8,160	1,200	9,360
PC operator	1	4,080	600	4,080	600	4,680
Messenger/Cleaner	1	1,265	450	1,265	450	1,715
Guard	8	1,397	450	11,176	3,600	14,776
Total	19	44,738	12,800	62,677	18,300	80,977

Yearly Total

-Basic Salaries	62,677	X 12	=	752,124
-Allowances	18,300	X 12	=	219,600
-Other Benefits (10% of Basic Salaries)				75,212
Total Salaries & Benefits		(per year)		1,046,936